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Note of the month

BRITAIN AND THE EEC – ONE YEAR OF ENLARGEMENT

THE one big surprise in Britain's first year of European Community membership has been that the optimists about the effect of entry on food prices have been proved right—but in a way that seems to most people to have conclusively proved them wrong—through the unexpected over-shooting of Community prices by world prices (except in the much-publicized sector of milk products). The Community has thus gained no political bonus with British public opinion from this situation.

The anxieties of the public, and the efforts of the British Government, have been largely directed towards the same issues as dominated the negotiations for entry. This has meant that the British have concentrated above all on minimizing their always expected Community budget deficit by pressing along three lines: for maximum entitlements to repayments under existing programmes, from the Social Fund, the ECSC, and the guidance section of the Farm Fund; for reform of the common agricultural policy (CAP) so as to reduce 'guarantee' expenditure on price support, and also to restrain the rate of increase of consumer prices; and, with most emphasis, prominence, and public optimism, for a completely new Community regional fund designed to produce for Britain a substantial net gain.

For the British these efforts to obtain offsetting budgetary benefits are entirely desirable and natural, given the existing structural bias of the Community budget towards expenditure on agriculture which, combined with collection of revenue from levies and customs duties on non-Community imports, creates an inevitable British deficit. However, excessive concentration on the struggle to secure budgetary offsets, encouraging the impression that these are the main measure of the success or failure of Community membership, carries dangers for Britain in relation both to public opinion and to other member governments.

Clearly, at the level of official payments, what really matters is the overall net balance. If Britain has a net deficit of some £80 m.—the sum officially estimated for this year—then there is that much less public money available for the regions, or for anything else. The British are constantly urging new regional or other programmes, or reforms of the existing CAP, ostensibly on their merits, when it is obvious to all that their real purpose is to obtain budgetary offsets. It might be more realistic

for the British Government to declare directly that the Community principle of 'financial solidarity' need not be open-ended but should be related to the degree of genuine common interest, and that Britain will impose a cut-off on net budgetary contributions beyond a certain point—the figure of £200 m. for 1977 cited in the White Paper of July 1971 (Cmnd. 4715, para. 93) may well have been intended to put down a marker here.

The real justification for Community programmes resulting in large net transfers between member states can only be a need to redistribute additional wealth attributable to the existence or enlargement of the Common Market—without such additional wealth there must be a loser as well as a gainer state. The success or failure of enlargement of the Community therefore depends upon its effect on the general level of economic activity, not upon any realistically conceivable scale of regional assistance.

What the economic stimuli of membership have been even for the original Six is disputable, as was shown in the controversy accompanying the entry negotiations. It is much more difficult still to isolate the effects of the nine months of 20 per cent mutual tariff cuts that have so far been Britain's only objective experience of the EEC customs union. Britain's problem, for most of 1973, has been not so much her growth rate (unusually high), or her exports to the Community, which have grown faster than to other areas, but her record balance of payments deficit.

This problem relates directly to the major forward-looking theme of Community declarations of purpose in the first year of enlargement—economic and monetary union (EMU). At a high theoretical level, EMU could take care of Britain's famous balance of payments difficulties, if accompanied by a really strong regional programme (which some member states see as a means of correcting imbalances arising more from a future EMU than from the existing budgetary system). However, it is now generally accepted that monetary union presupposes economic union, and this in turn involves a high degree of political union—the 'centre of decision' proposed in the original Werner report on EMU of 1970. Given these implications, together with the immediate practical difficulties of re-attaching sterling to the joint Community float, it is difficult to see how there can be at present much serious intention to make of EMU more than one of the conventional pieties of the Community.

There is, however, one way in which EMU does symbolize the changes taking place in the current situation and priorities of the Community—in its possibilities for strengthening the Community's external relations. The effects of the *intra-West European* relations with which the Community has been most concerned, notably the removal of tariffs and, less successfully, other barriers to trade (through legal and fiscal harmonization), have been overlaid by other factors, originating largely or wholly

outside the Community, and acting much more drastically upon trade flows and economic activity: exchange rate changes and monetary movements, and the upsurge in prices of primary products—food, industrial materials and, most drastic of all, oil. Together with these issues have come the deterioration in the relations with the United States and the threat of reduced American military protection, and possibilities of new relationships with Eastern Europe—perhaps involving *both* more indigenous West European deterrence *and* more trade and investment in the East.

These developments, while reducing the importance of the older 'Communitarian' concerns dating from a period when economic relations between highly industrialized countries seemed the most significant and promising for the future, have created new reasons for West European states to reach common positions in defence of external interests, in relations with the Third World (both less developed and newly rich), in the GATT trade negotiations, in relations with the super-powers, or in discussions of international monetary reform. The European Community supplies a tried and durable forum for consideration of such issues, either in the Community institutions or in inter-governmental meetings. Certainly the inter-governmental approach is most congenial to Britain and France, and probably in the last resort to the other member countries as well.

The prospect suggested by the first year's experience of the enlarged Community is therefore of continuing activity at two levels: first, further slow and painful evolution towards viable compromises in traditional areas of interest and dispute among the old and new member states—CAP reform, regional policy, the war between cane and beet sugar, and legal harmonization which has to prove itself as genuinely beneficial, whether in axle weights or the bizarre proposals for 'Euro-bread' and 'Euro-beer'; secondly, and overshadowing these familiar issues, the search for common positions from which to confront the Community's changed and challenging external environment.

S. Z. YOUNG

The super-powers and the Middle East

IAN SMART

For the United States and the Soviet Union, the balance between competition and co-operation has shifted since 1967; but unresolved dilemmas in their relationships with Israel and the Arabs still challenge their détente, as well as their ability to manage crises.

THE Arab-Israeli war of 1973 is by no means yet a matter for historians. A precarious cease-fire exists between hostile forces separated by a complicated and contentious line. Meanwhile, if we say that the war itself has ended we describe nothing more than a conditional reduction in the level of violence marking a conflict which continues—as it has continued since the state of Israel was established in 1948. Militarily and politically, the present situation seems, indeed, to be peculiarly unstable, especially in the Suez Canal area, where the intermingling of Israeli and Egyptian forces creates a physical pattern which no one can expect to endure. Whether by negotiation or by renewed fighting, that unstable pattern will inevitably be revised and resolved in the months ahead, and the difficult process of that revision may still have repercussions which will largely invalidate any prediction of the outcome made today. Already, however, this latest crisis has given us a new body of evidence bearing upon a question which has both shaped and tormented the Middle East for thirty years: the question of Soviet and American policies in that area and of the relationship between them.

The evidence of super-power policies in the Middle East produced by the events of the last two months is more plentiful than obviously coherent. After two weeks of hectic competition in supplying arms to the opposing combatants in a war, the United States and the Soviet Union joined together, in apparent harmony, to sponsor a cease-fire. Within three days of that notable act of co-operation, their own alerted forces were confronting each other in what the President of the United States called 'the most difficult crisis we have had since the Cuban confrontation of 1962'.[1] Yet, only days later, one of the senior members of the Soviet Politburo was able to speak of their being 'more favourable conditions than ever before for a lasting and just settlement' of the Arab-Israeli

[1] President Nixon: Press Conference, 26 October 1973 (USIS transcript).

Mr Smart is Deputy Director and Director of Studies at Chatham House. This article, which is based upon a talk given at Chatham House, is appearing also in German in *Europa-Archiv* and in Dutch in *Internationale Spectator*.

conflict.[8] Even in a world already accustomed to the paradoxes of super-power détente, the interpretation of such vagaries seemed to present more than usual difficulty. Was the United States diluting her long-standing support of Israel? Did the Soviet Union wish to encourage tension or to promote settlement? What of détente itself? Did the Arab–Israeli war mark its partial failure? Or did the containment of the war represent its triumph? At times, spokesmen in Washington and Moscow seemed intent upon concealing their answers to such questions. What could not be concealed was that the war and the events surrounding it had applied a new test to the policies and the relationship of the super-powers, and that their reactions to that test would tell us something about the way in which their respective Middle Eastern policies had developed and now interacted.

In order to understand the confusing evidence before us, we have to follow several threads at once. At the very least, we must begin by tracing, however briefly, the changing attitudes of the United States and the Soviet Union towards the Middle East during the years before this crisis, as well as the shorter course of their joint effort to construct a global relationship in which rivalry is confined within bounds of mutual restraint.

The Soviet interest

Soviet interest in the Middle East has never been in doubt, any more than was the interest of the Tsars. During the negotiations in November 1940 on the adherence of the Soviet Union to the Axis alliance, the Soviet Foreign Minister, Mr Molotov, told the German Ambassador in Moscow that one condition of Soviet participation was that 'the area south of Batum and Baku in the general direction of the Persian Gulf should be recognized as the main area of Soviet aspirations'.[9] Shortly thereafter, with the Soviet Union now a victim and an enemy of Germany, Soviet troops had established themselves in northern Iran. As the Second World War ended, that military presence sired Soviet-sponsored 'People's Republics' in Iranian Azerbaijan and Kurdistan. At the same time, Soviet claims were announced to the Turkish territories of Kars and Ardahan, to a revision of the regime in the Turkish Straits, to a naval base in the Dodecanese, and to trusteeship of either Libya or Eritrea. The Soviet Union appeared, in fact, to be acting on her southern flank as she was acting on her western and eastern flanks: as a classical land empire, whether Roman or Russian, seeking to insulate itself behind a glacis of tributary territories. To the west, in eastern Europe, her success was

[8] Andrei P. Kirilenko: Speech at Palace of Congresses, Moscow, on the 56th anniversary of the Bolshevik Revolution, 6 November 1973 (quoted in *International Herald Tribune*, 7 November 1973.)

[9] See G. Nollau and H. J. Wiehe: *Russia's South Flank* (London: Pall Mall, 1963), pp. 7–8, 30.

guaranteed by the military course of war. To the south, it was decisively thwarted by the new realities of a post-war world, and especially by the unfamiliar interest which the United States was driven to take in the Middle East. The inability of Britain after 1945 to maintain her traditional 'great power' role in Greece, Turkey, and Iran, coupled, ironically, with the involvement of American forces in Iran in support of the Soviet Union against Nazi Germany, forced the United States into the lead in resisting Soviet glacis-building pressures in an area to which Americans had previously devoted scant attention. The consequential collapse of the Soviet position in Iran in 1946 and the enunciation of the Truman Doctrine with regard to Greece and Turkey in 1947 represented the most serious defeat for Soviet policies in the area since the 1920s. On her southern flank, the Soviet Union's glacis policy was, by 1947, in ruins.

Denied a glacis, the Soviet Government set out to achieve the next best thing: a wider region on its southern borders too divided by conflict to allow domination by any other major and potentially hostile power. Little could be done in Turkey or Iran, both of whom were emerging as committed clients of the United States. Further afield, in the Arab world, the illusion of British predominance was still strong; moreover, the Arabs were a people unfamiliar to the Soviet Union, whose representatives had little experience in understanding or influencing Arab leaders. Perhaps naturally, therefore, it was to Palestine, in the throes of Arab–Jewish conflict under a tottering mandatory administration, that Soviet eyes first turned. There, as Britain abdicated in favour of the United Nations, a Jewish state was emerging under the leadership of Jewish socialists drawn, in the main, from the communities of Russia and her immediate neighbours: men and women whose instincts and aims might reasonably seem readily intelligible to a government in Moscow. That Jewish state, in turn, was clearly fated to serve as a cause of continuing friction and division in the Middle East as a whole, so that its secure establishment appeared certain to serve the general Soviet interest in a regional turbulence capable of frustrating any hostile hegemony. The Soviet Government, therefore, vied with the United States herself to stand sponsor to the establishment of Israel, in the fleeting belief that it might thus also sponsor a new and exploitable cliency.

Turning to the Arabs

The illusion was swiftly destroyed. For reasons too intricate to explore here, since they were as much concerned with internal Soviet politics as with the Middle East, the Soviet Union's relationship to Israel was transmuted from sponsorship to hostility within three years. Only then did the Soviet Government turn with any enthusiasm to the Arab world itself. The moment was propitious. Syria, Iraq, and Egypt were all in some internal confusion, and local pressure against the Western powers had

reached a new peak of ferocity. British and American efforts to weld the Arab countries into a new defensive alliance were provoking tensions and exacerbating Western–Arab relations. From 1952, with the monarchy in Egypt overthrown and its military successors increasingly at odds with the major Western powers, the time for a new Soviet policy was obviously approaching. Finally, the establishment of the Baghdad Pact in 1955 provided the immediate context for a dramatic offer of massive Soviet arms supplies, initially through Czechoslovakia, to Egypt. Western reactions, culminating in the catastrophic American withdrawal of aid for the Aswan Dam, the subsequent Egyptian nationalization of the Suez Canal, and the Anglo-French-Israeli attack on Egypt in 1956, thrust every visible trump in the game into Soviet hands. From that moment, the Soviet Union found herself increasingly acknowledged as the great power sponsor of all the 'progressive' and 'radical' forces in the Arab world. As the conflict between 'traditional' monarchies and 'radical' republics spread, first to Iraq and then to the Arabian peninsula, and as the Arab–Israeli conflict hardened into ostensibly perennial enmity, the Soviet Union was swept, as much by events as by design, into a role which appeared to offer exactly the advantages she had sought since the 1940s. By supplying arms and political and economic support to Egypt and Syria (and, from 1958, to Iraq), she purchased an ability to sustain tension in the Middle East on at least four axes at once: between the Arabs and Israel, between 'progressive' and 'traditional' forces within the Arab world, between 'progressive' Arabs and the West, and between the Arab states and their non-Arab neighbours, Iran and Turkey. With tensions such as these, any possibility that the United States or the Western Alliance could dominate the Middle East as a whole seemed far away.

Reciprocal fears

From the Western point of view, Soviet policy after the Arab–Israeli war of 1956 appeared, indeed, to point to a contrary danger: that the Soviet Union herself might achieve some measure of Middle Eastern hegemony, at least to the extent of being able to threaten the oil supplies and the communication routes upon which the West relied. Certainly, United States policy during the later 1950s and the 1960s reflected the fear of just such a danger. In 1957, the 'Eisenhower Doctrine' promised American military support to any nation in the Middle East threatened by 'international Communism'. From that time, Soviet arms shipments to Egypt, Syria, and Iraq were matched by American supplies to Israel, Jordan, Iran, Turkey, and Pakistan, with the last three of which, in 1959, United States bilateral defence agreements were also signed. The United States strengthened her Sixth Fleet in the Mediterranean, reinforced and formalized her association with the Central Treaty Organization (CENTO) and, in 1958, sent her own troops into the Lebanon. Above all,

Israel, who had withdrawn from her recent conquests under American pressure, was swiftly converted thereafter into a political and military protégé of the United States. By the time the Arab–Israeli conflict reached its next crisis, in 1967, the Middle East was more or less completely polarized on the lines of the super-power confrontation itself.

It was inevitable, in those circumstances, that each super-power should perceive the other as a disruptive and aggressive influence in the Middle East. To many Americans, Soviet policies seemed to aim at the extension of Soviet influence throughout the area, the elimination of both Israel and the more conservative régimes of the Arab world, the subversion of Iran and possibly Turkey and, in the end, the effective control of a region upon which the West depended for strategic mobility and, of course, for oil. To many Russians, reflecting upon the prolonged efforts of the United States to weld a military 'northern tier' from Turkey to Pakistan, upon the 'Eisenhower Doctrine', and upon the characteristic pronouncements of Mr Dulles when Secretary of State, American actions seemed to aim at the 'encirclement' of the Soviet Union and the elimination of her influence from an area of enormous strategic sensitivity on her very borders. In truth, the Middle Eastern policies and actions of both super-powers showed many more signs of nervous defensiveness than of reckless aggression. One important result of their reciprocal apprehensions, however, was that the two super-powers were drawn by 1967 into positions in relation to their principal clients in the Middle East which even their vast capabilities were insufficient to sustain. While the United States had allowed herself to become uniquely identified with Israel, her ability to influence the actions of the Israel Government, as events were to show, was something less than complete. Similarly, while the Soviet Union had allowed herself to appear increasingly, on the ground and in the United Nations, as committed to 'progressive' Arab policies—and especially to those of Egypt—she had only limited influence over them. The often-stated fear in the early 1960s was that a renewal of war between the Arabs and Israel might bring the super-powers themselves into collision on behalf of their respective clients. What the 1967 war showed when it came was that this danger was both greater and less than had been feared: greater because the super-powers could neither avert war nor control its outcome; less because their very impotence was so apparent as partially to insulate them from the conflict itself.

The 1967 war and its aftermath

For the Soviet Union, the Arab–Israeli war of 1967 was the most serious débâcle in the Middle East since the defeat of her policies in Iran twenty years before. The Soviet Government had sought and obtained influence, especially in Egypt, by supplying economic, political, and military support and by identifying itself almost totally with Arab complaints

against Israel. By doing so, it had helped to preserve a regional turbulence which ostensibly served its perennial purposes. Soviet policy depended critically, however, upon being able also to control the intensity of that turbulence, since any new explosion into full-scale regional war might force the United States into direct intervention in a situation which must be intrinsically unpredictable and which might even result in a decisive increase of American influence. In the event, it was exactly that ability to control the intensity of the Arab–Israeli conflict which the Soviet Union was shown to lack. At some point in the 1967 crisis, possibly when the Straits of Tiran were blockaded, Egyptian policy escaped from Soviet constraint. The loss of control was decisive; the Soviet Union was forced to stand by as war broke out and as her client's forces, armed with Soviet weapons and trained by Soviet experts, were shattered. The fragility of the Soviet situation—ostensibly sharing the responsibility for Arab policies, but unable to control Arab actions—was brutally revealed.

For the United States, the situation was hardly a happier one. Israel had won, and a super-power confrontation had been avoided. But the United States had equally been shown incapable of controlling her client's actions, before, during, or after the war. American efforts to avert the initial Israeli attack had proved as futile as were subsequent efforts to secure an Israeli withdrawal from captured Arab territories. Meanwhile, the Arab states predictably vented their wrath upon the United States, severing diplomatic relations, cutting off oil supplies and, in the Libyan case, closing American bases.

Whether or not the Soviet and American governments were conscious of sharing a predicament, it was not perhaps surprising that they should have been drawn together, rather than forced further apart, by the 1967 war. During the preceding years, they had clearly recognized that the progressive polarization of the Middle East entailed a growing danger of direct confrontation between them. At the same time, the experience of a previous confrontation, over Cuba in 1962, had done much to force them into a cautious but accelerating effort to agree upon mechanisms of mutual restraint on a global scale. It was, in a sense, symbolic that the 'hot line' between Washington and Moscow, set up as a crisis management device in the aftermath of the Cuban crisis, should first have been used operationally on the opening day of the 1967 Arab–Israeli war. The Middle East aside, the atmosphere of super-power relations was, moreover, very different in 1967 from that of five years previously. In particular, the process of Soviet–American arms control, initiated in the 1950s, had already borne fruit in the Partial Test Ban Treaty of 1963 and the Outer Space Treaty of 1967. Negotiations on the non-proliferation of nuclear weapons were gathering momentum and, five months before the war in the Middle East broke out, the United States had proposed bilateral negotiations on the limitation of strategic nuclear arms. Against

that background, it was natural that the Soviet and American governments, while moving to re-stock the armouries of Israel and her neighbours, should also, within days of the 1967 war, have entered into private discussions about the regulation and resolution of its results.

Soviet–American talks continued throughout the period, up to 1970, during which war on the Suez Canal smouldered without ever dying out. Plans for a political settlement between the Arabs and Israel were exchanged, discussed, sometimes published, but never implemented. Meanwhile, each of the super-powers sought to chart its own course out of the predicament of having responsibility without control which the 1967 war had revealed. For the United States, the task was relatively simpler. Israel's retention of the territorial fruits of victory both provoked and permitted a more 'even-handed' American policy. Israel was re-armed, but so was Jordan. Mediation under United Nations auspices was encouraged. Diplomatic and commercial links with the Arab world were rebuilt. Assurances of friendship to Israel were balanced by pressure to withdraw from occupied territories. Meanwhile, the wider process of détente between East and West was prosecuted with vigour. The Soviet Union, however, was in a more difficult situation. Her Middle Eastern clients had been heavily defeated in 1967 and now looked to the Soviet Government to repair their losses. Some could indeed be repaired: with military equipment and, to a lesser extent, with political support. But the Soviet Union, in seeking to repair the territorial losses of Egypt and Syria, was the ironic prisoner of relative American impotence, since it was only by inducing American pressure upon Israel that this goal could, in practice, be attained, and since that pressure was itself ineffective. The Soviet Union was driven, therefore, to pursue an alternative goal: to ensure that, in so far as she remained identified with Arab, and especially Egyptian, policies, she should at least have some more effective means of constraining Egyptian military actions. The large quantities of military equipment supplied to Egypt were accompanied by an unprecedented number of Soviet military personnel, who rapidly secured critical roles in relation to some of the most vital military functions in the country, including air defence, logistics, communications, and maintenance. Moreover, the military equipment itself was predominantly of a defensive character; nothing, for example, was done to replace Egypt's only longer-range bomber aircraft, all of which had been destroyed in 1967. For nearly five years, the effect was to limit Egypt's ability to launch any large-scale attack across the Suez Canal without Soviet co-operation, which was not forthcoming.

The Soviet Union's support for Egypt's cause remained vocal, and their relationship was even enshrined in a formal treaty in 1971. Increasingly, however, there were signs that the Egyptian Government found itself frustrated by Soviet restraints, and even that President Sadat

believed his internal position to be at risk as a result. In January 1972, he openly accused the Soviet Union of preventing him from enforcing a settlement of the conflict with Israel. Six months later, alleging Soviet refusals to supply offensive weapons, he expelled all but a handful of the Soviet military 'advisers' and 'experts' who had exerted that constraining influence. The Soviet Union was thus forced back, at a blow, into the dilemma which had haunted her five years before: whether to maintain political identification with Egypt while being unable to control Egyptian military actions, or to disengage politically from Egypt at the risk of losing an important part of her ability to influence the climate of Middle Eastern politics as a whole. She had done little to resolve that dilemma by the time that war broke out again in 1973.

The 1973 crisis and super-power interaction

What had, of course, changed yet further by 1973 was the wider context of East–West relations and, within that context, the relationship between the super-powers themselves. By 1973, the United States and the Soviet Union had acquired a very great deal of experience in negotiating bilaterally at many levels and on many different issues. This is not the place to examine that process. It is, however, important to an understanding of the most recent events in regard to the Middle East to recognize the extent to which the whole texture of Soviet–American relations had altered between 1967 and 1973. From being a prudential aspiration, the avoidance of direct super-power confrontation had come to be something close to an assumption of international politics. Not all the limits within which that assumption was valid had been explored or clearly identified. Nor did the assumption itself militate against the pursuit of active competitions for influence in regions which patently included the Middle East. The United States remained openly committed to the well-being of Israel, while the Soviet Union remained eager to preserve or, if possible, enhance a status within the Arab world which had been eroded by the development of more assertive nationalisms and by the effects of her own efforts to moderate conflict. Nevertheless, the reigning assumption as war broke out on 6 October 1973 was that nothing short of a structural change in the Middle East—the elimination or effective subjugation of one party to the conflict—would be likely to provoke the sort of direct super-power involvement which might lead to wider war.

It is not my purpose to recount here the events of October and November 1973. It is enough to indicate the four phases through which relations between the super-powers in regard to the Middle East appeared to pass during that period.

The first phase, from immediately before the war until about 16 or 17 October, was marked by Soviet and American efforts to identify the limits within which they could enjoy freedom of action without jeopardiz-

ing their respective Middle East policies or their mutual détente: a process of exploration inherent in détente itself. President Nixon opened direct communication with the Soviet leader, Mr Brezhnev, in the hours before the war began, and maintained it, at least sporadically, thereafter. It was swiftly clear, however, that, for the moment at least, Soviet and American interests coincided only in the over-arching importance which each power attached to its global relationship with the other (just as it was clear that, without a closer coincidence of specific super-power objectives in the Middle East itself, the other members of the United Nations were incapable of a decisive effort to end the fighting). The Soviet Union could hardly co-operate in halting her Arab allies as they recaptured territory which the Soviet Government had consistently asserted to be theirs of right; to do so would have meant the loss of all Soviet political credit in the Arab world. Moreover, as early as 8 October, China was already accusing the Soviet Union of fomenting Israeli aggression by promoting Jewish migration to Israel. Nor was it likely, in such circumstances, that the Soviet Union would withhold arms from Egypt and Syria. Meanwhile, the United States was inevitably intent upon securing a cease-fire on the basis of the lines established by the 1967 war, since anything less would have been seen at that moment as a betrayal of Israel in the face of Soviet and Arab pressure. Thus, while each super-power rearmed its own clients, each was driven, in this first phase, to seek a different outcome of the battle. At the same time, each matched the other in speaking publicly of détente as a possession too precious to be endangered. In practice, despite Dr Kissinger's acknowledgement of Soviet 'relative restraint' on 12 October, the Soviet Union may have followed the more risky line: in the scale of her arms supplies, in the reinforcement of her Mediterranean fleet, and in Mr Brezhnev's belligerent message to President Boumedienne of Algeria on 8 October.[4] But she also issued a clear and significant warning to Egypt and Syria that her support for their actions was strictly limited to the recovery of territory lost in 1967; the settlement for which *Pravda* called on 12 October was to reflect the rights and interests 'of all peoples of this area'—including Israel within her pre-1967 boundaries.[5]

From about 14 October, as Israel's losses mounted, the United States began to 'swing' from her original insistence on the 1967 cease-fire lines to advocacy of a cease-fire in the positions then existing. On 16 October, with the war clearly running against Syria, with Egypt's advance halted and with the first Israeli units on the west bank of the Suez Canal, the interaction of the super-powers entered its second phase as the Soviet Prime Minister flew to Cairo. The probability that the Arab attack had

[4] 'Syria and Egypt must not stand alone in their battle with the perfidious enemy. . . As for the Soviet Union, it is giving to the Arab states aid and support in many forms in their just fight against the Israeli imperialist aggression' (Quoted in *International Herald Tribune*, 10 October 1973).

[5] Quoted in *International Herald Tribune*, 13/14 October 1973.

petered out, coupled with the American acceptance of a cease-fire 'in place', had established a new basis for Soviet–American co-operation in ending the fighting. From 17 October, the decision of the Arab oil producers to cut their production added urgency, on the American side, to the search for peace. Mr Kosygin, having preached prudence in Cairo, returned to Moscow in time for Dr Kissinger's arrival there on 20 October. By the next day, the joint draft of a Security Council cease-fire resolution had been produced. With its adoption and entry into effect, on 22 October, the second phase ended.

The third phase, from 23 to 27 October, followed a very different course. The initial cease-fire having collapsed on the Suez Canal front, Israel moved swiftly to encircle a large part of the Egyptian Third Army while simultaneously threatening the heartland of the Nile Valley itself. That move placed the Soviet Government on the rack. If the fighting continued, there seemed to be a real danger that Egypt would be crushed while her Soviet ally stood by. It was against that background that, on 24 October, the Soviet Union threatened to intervene alone unless the United States joined her, and that the United States Government responded by ordering a singularly well-publicized military alert, coupled with the exertion of the most powerful pressure on Israel. Only when the Israelis had been halted and the two powers had joined again, on 27 October, to support a further Security Council resolution excluding both from contributing forces to the United Nations peace-keeping effort did the shadow of Soviet–American military confrontation lift. Meanwhile, the strains imposed on the North Atlantic Alliance had provided material for a quite separate study in crisis management.

The fourth phase of super-power interaction in the 1973 crisis still continues. Ostensibly, the diplomatic lead has passed to the United States, whose literally mercurial Secretary of State has been instrumental in resolving the immediate crisis in the Suez area, in restoring American diplomatic relations with Egypt, and in promoting the arrangements for the first Arab–Israeli political conference since 1949. At the same time, there are indications not only that these exercises have had the support of the Soviet Union, but also that the Soviet Government, through less flamboyant diplomatic channels and in contacts with the Palestinian leadership, has lent its weight directly to the effort to stabilize the situation. If it is true, as Dr Kissinger said on 17 October, that the crisis must test 'the real meaning of détente', then it also seems likely, at this moment, that the détente, albeit not unbruised, has withstood the test.

The adversary partnership

It will be some time before the policies of the United States and the Soviet Union in this latest crisis can be adequately analysed; only fragments of the necessary evidence are yet available publicly. Moreover, the

crisis, although transformed, continues. In particular, the impact of the Arab 'oil weapon' upon great powers and their relationships is only beginning to be felt. Some of the material for an analysis already, however, exists. It is striking, for example, that each super-power, in the opening phase of the crisis, was prepared to allow the other so much latitude of unilateral and self-interested action without resorting to public criticism or condemnation. It is striking that, when the time came, the two governments could combine so swiftly and effectively to move the international community, through the United Nations, in the direction which they had chosen. It is striking, moreover, that nothing in the crisis was allowed to hinder the pursuit of accommodation in other areas: a Soviet delegation travelled to the United States to negotiate new agreements on Siberian natural gas on the day after war broke out; Soviet and American space scientists met to discuss their future collaboration as Israel's tanks crossed the Suez Canal; the strategic arms limitation talks continued in Geneva and, on 30 October, talks on force reductions in Europe opened in Vienna. Finally, after the tension of the military alerts in the third phase, it is striking, as Dr Kissinger himself said, 'how rapidly the confrontation was ended and how quickly the two sides . . . are now moving back to a policy of co-operation in settling the Middle East conflict'.[6]

Many questions remain unanswered. In particular, the extraordinary episode of the reciprocal military alerts on 24 October demands further explanation, especially if it is true, as has been reported, that no attempt was made at the time to employ the 'hot line', ostensibly established for just such a contingency.[7] Neither side is likely, however, to hasten forward with full information about that episode, since it already seems clear, whatever evidence remains in camera, that the situation was much less than excellently handled by either. That in itself must prompt continuing reservations about the ability of the super-power relationship to withstand unexpected and urgent stress. Meanwhile, what must induce more narrowly focused reservations is the fact that neither super-power has yet extricated itself from the Middle Eastern predicament exposed so harshly in 1967. The United States, now under pressure from the oil producers, has still to define her future relationship to Israel, just as the Soviet Union has still to decide whether to disengage from unqualified sponsorship of Egypt. Each, in the Middle East, has still to bring its ostensible responsibilities and its real power into balance.

Exactly because their parallel predicaments persisted, the actions of the United States and the Soviet Union during this latest Middle Eastern crisis could be seen to grow directly out of the past: the past of their separate policies since 1945 towards the Middle East itself, and the more recent past of their mutual pursuit of détente. Thus the perennial com-

[6] Press Conference, 21 November 1973 (USIS Transcript).
[7] See, for example, *International Herald Tribune*, 21 November 1973.

petition for influence continues, through the provision of military, political, and economic support to client states, even if the objective now seems to be more the preservation than the extension of positions already gained. At the same time, the relaxation of global tension between the super-powers is reflected in their obvious desire to avoid challenging, pillorying, or even embarrassing each other, so that the American Government plays down Soviet intransigence on behalf of Egypt, while the Soviet Government scrupulously avoids espousing or praising an anti-American Arab oil embargo. The threads of rivalry and rapprochement now intertwine.

In the light of the intricate history of Soviet-American relations in the Middle East, the limitations and inconsistencies apparent during the recent crisis were hardly surprising. It has, itself, however, been a dynamic as well as a confused history. In 1957, after one Arab–Israeli war, President Eisenhower could say: 'If power-hungry Communists should either falsely or correctly estimate that the Middle East is inadequately defended, they might be tempted to use open measures of armed attack.'[8] In 1973, after another Arab–Israeli war, Dr Kissinger marked the passage of sixteen years by saying: '. . . the Soviet Union and we are in a very unique relationship. We are at one and the same time adversaries and partners in the preservation of peace.'[9] That 'adversary partnership' has been neither developed nor tested in the Middle East alone, but its immediate relevance to the Middle East is now more apparent than ever, while its ultimate impact on the Middle East remains to be fully explored.

[8] *Special Message to the Congress on the Situation in the Middle East*, 5 January 1957.

[9] Press Conference, 25 October 1973 (USIS transcript).

Bhutto—two years on

DAVID DUNBAR

After a period of fundamental change and re-adjustment, Pakistan has yet to find a new identity.

ZULFIQAR ALI BHUTTO has just completed two years as Head of Government in Pakistan. He came to office in circumstances tragic for Pakistan—the result of a series of events for which he must share a measure of responsibility.[1] The inability of the leadership of united Pakistan either to solve the question of East Pakistani autonomy or to let the Bengalis go in peace, and the succeeding steps which led through civil war to a direct confrontation with India and the defeat of Pakistan, have been discussed at length and need not be repeated here.[2] In its collapse the regime of General Yahya Khan turned to the only legitimized source of power (through the Bhutto party's victory in West Pakistan in the 1970 elections) in the area remaining to Pakistan. Taking the title of President and continuing the martial law powers held by his predecessor, Bhutto accepted the office on 20 December 1971. A few days later, in a message on the anniversary of Jinnah's birth, he compared the situation of Pakistan with that confronting the founder of the country in 1947. While such a comparison may be overdrawn and certainly inaccurate in detail, the new President faced the unenviable task of building a new basis for Pakistan, a task hardly less difficult than that of Jinnah.

Change in many areas has been the hallmark of the two years of the Bhutto regime, but several problems basic to Pakistan remain to be tackled if the nation is to develop into a modern open society with a responsive government. Bhutto moved quickly to curtail the role of the military in politics, capitalizing on the decline in the esteem with which the army was held. He worked out a difficult set of compromises leading to a new 'permanent' Constitution, but did so in a manner which strengthens his position as Prime Minister to an extent unusual in parliamentary regimes. Intertwined with constitution-making is the question of provincialism and the extent of powers to be allotted to the provincial

[1] See G. W. Choudhury, 'The Last Days of United Pakistan', *International Affairs* (April 1973), pp. 229–39, and David Dunbar, 'Pakistan: the Failure of Political Negotiations', *Asian Survey* (May 1972), pp. 444–61.

[2] See *The World Today*, August and September 1971; March and July 1972; and January 1973.

David Dunbar is the pseudonym of a Western observer with long experience of the subcontinent, who has visited Pakistan during the Bhutto regime.

governments. Beyond this formal delineation of powers lies the fundamental and largely psychological question of Pakistan's search for national identity—an identity rooted in a positive approach rather than in the negative 'non-Indian' foundation of the past. Linked to this is the broader question of relations with India and the difficulty of finding a basis for cooperation within the subcontinent. On the domestic scene, there have been signs of intolerance of those who disagree with the regime, and indeed an equation of opposition with treason—a situation which if continued will stunt the growth of the democratic system Bhutto says he wants to see in Pakistan. Finally, he has yet to develop his own party, the People's Party, into an organization which can show itself responsive to demands.

Curbing the military

Bhutto's acceptance of power under martial law created, to say the least, a strange situation for a civilian politician. He moved quickly to curtail military political power and to eliminate those at the highest levels who were considered—by him and the population at large—to have been responsible for Pakistan's military collapse. In his first address, he announced the retirement of a number of general officers, headed by General Yahya Khan and the army Commander-in-Chief, General Abdul Hamid Khan. The new head of the army, Lieutenant-General Gul Hassan, and the retained chief of the air force, Air Marshal Rahim Khan, survived in their offices less than three months; both were dismissed and sent abroad to ambassadorial posts in March 1972. In replacing the two men Bhutto dropped the 'anachronistic' title of commander-in-chief, designating the new appointees as 'chiefs of staff'.

In announcing the departure of Rahim and Gul Hassan, the President referred to 'Bonapartist tendencies' among the military; decried Pakistan's past and the conditions in which 'professional soldiers turn into professional politicians'; and also listed a number of other senior officers from all three services who had been placed on the retired list. The military forces in Pakistan had played an indirect role in politics since 1954 and a direct role after 1958 under the regimes of Ayub Khan and Yahya Khan. Never in that period had a civilian leader in office presented a serious challenge to them. Bhutto would now attempt to bring the military under the control of the civilian Government and place them in the role of policy executors rather than policy makers. To the international press the only sour aspect of the change was the appointment as army Chief of Staff of General Tikka Khan, best remembered for carrying out the military action in East Pakistan in the initial period of the war.

Constitution-making has not been the Pakistani's strong suit. The basic document in force when the nation became independent was the Government of India Act of 1935 as modified by the India Independence

Act of 1947. This provided for provincial autonomy but enshrined the strong centralizing concepts associated with the vice-regal administration of British India. In practice, under Jinnah and to some extent under his successors prior to the military takeover in 1958, this vice-regal tradition continued and freedom of action at the provincial level was severely limited; all the powers which the Congress had feared would be used by the Viceroy after 1937 were, in fact, used by Jinnah, Ghulam Muhammad, and Iskander Mirza. The definition of the relative powers of the central and provincial governments and the extent of the supremacy of parliament were among the problems which delayed the approval of a constitutional document until 1956.

No less important to the Constituent Assembly was the definition of an Islamic State. The struggle among those variously described as traditionalists, fundamentalists, modernists, and secularists claimed much of the effort of the men selected to write a constitution. At one extreme, the *ulema* demanded an unlimited veto over legislation while, at the other, full separation of State and religion was proposed.[3] However, few if any of the politicians were prepared to scrap all reference to the Quran and the Sunnah in the Constitution prepared for use in a State created specifically to be a homeland for the Muslims of the subcontinent. Complicating the issue further, Jinnah had not been clear in his conception of the place of religion in the State: at one point he appeared to suggest that religion was strictly a personal matter and that all in Pakistan should consider themselves Pakistanis first and Muslims, Hindus, or Christians only in second place. Bhutto would be required to face all these issues anew as he proceeded in constitution-making.

After four years of martial law, Ayub Khan presented a new Constitution to the nation in 1962. This document discarded parliamentary forms and substituted a strong presidential type of government with only limited powers for both the central assembly and the provincial governments. It ensured the role of the military by requiring that the Minister of Defence be chosen from those who held or had held the rank of lieutenant-general or higher; Ayub himself served as Defence Minister through the initial years before he assigned the office to a former Admiral. In his election manifesto, Bhutto demanded the return of Pakistan to a parliamentary form of government. None the less, there is some evidence that when he first came to power he considered the implementation of a strong presidential form—and, in return, was accused of 'fascist tendencies' by his opponents. Possibly he saw advantages in personal control of all the levers of power during the period when he ruled under martial law and then under the interim Constitution which replaced martial law in April

[3] See Freeland Abbott, *Islam and Pakistan* (Ithaca: Cornell University Press, 1968) and Leonard Binder, *Religion and Politics in Pakistan* (Berkeley: University of California Press, 1963).

1972. This interim Constitution scarcely modified the powers of the President: although martial law was formally ended, the Defence of Pakistan Rules continued in force (as they do still), giving Bhutto extraordinary powers.

The 1973 Constitution

In the twelve months between the adoption of the interim Constitution and the approval by the National Assembly of the permanent Constitution in April 1973 political activity was intense. The Islamic features of the document were pushed to the background—although not ignored—as the battle between the People's Party and the opposition centred primarily on the relationship of the federal and provincial governments and the power (and permanency) of the Head of Government. Although it will be mentioned again later, it must be noted here that the People's Party controlled the provincial legislatures only in the Punjab and Sind while the opposition National Awami Party was dominant in the North-west Frontier Province and Baluchistan. Bhutto's appointment of civilian governors from his own party to replace the military governors of the Yahya period was resented by the non-People's Party leaders of the latter two provinces. The dispute raised the constitutional question as to whether it is incumbent upon the Head of Government to consult with the provincial leadership prior to appointing a governor, and the political question of control of a province by a party which is not the governing party at the centre. The debate frequently became acrimonious and retarded progress toward a constitution.

With the experience of rapidly changing governments in the period before Ayub's takeover in 1958, Bhutto was understandably concerned that the Prime Minister under the new Constitution be given some protection against capricious behaviour (or worse) among members of the National Assembly. Ayub's 1962 Constitution provided one safeguard in that members who resigned from the party on whose ticket they had been elected were required also to resign their seats and, if they desired to remain in the Assembly, to stand again in a by-election.[4] Bhutto, however, sought more concrete assurances. He proposed that a resolution of no confidence must include in the body of the text the name of the proposed successor Prime Minister,[5] and further that for a period of fifteen years a motion of no confidence would require a two-thirds majority vote of the Assembly. If adopted, this would have all but guaranteed the continuance in office of the Prime Minister, since, once elected by a majority, he would require the support of only one third of the membership. The opposition expressed strong disapproval of this 'mockery of the

[4] Those who had been expelled by their party, rather than resigning from it, were excluded from this requirement.
[5] The Constitution of the Federal Republic of Germany requires this.

parliamentary system'. Bhutto withdrew the two-thirds majority proposal, but what was put in its place seems almost as safe from the Prime Minister's point of view: the provision adopted states that for a period of ten years a member's vote for a no confidence resolution will not be counted if the majority of the party on whose ticket he was elected votes against the resolution. Thus, a prime minister could withstand a limited amount of dissidence and factionalism in his own party and could, as Bhutto has done, win over some support from other parties. Further, resolutions of no confidence cannot be introduced during a budget session and cannot be reintroduced for a period of six months following their rejection. These provisions are extended also to provincial legislatures and thus provide protection to chief ministers at that level.

Other aspects of the Constitution are those to be expected in a parliamentary system. The President is a figurehead who may act only 'on the advice of the Prime Minister'. The Prime Minister is elected by, and responsible to, the lower house, the National Assembly. An upper chamber, the Senate, was created to give equal representation to the four provinces and lesser representation to the tribal areas along the Frontier and to the federal territory of Islamabad. The indirectly elected body will have only delaying powers with regard to general legislation and the ability to suggest amendments in the case of money bills.

Provincialism and national identity

In the heat of the Bangladesh question it is frequently overlooked that the demand for provincial autonomy—never precisely defined—was not limited to the Awami League of East Pakistan but was echoed by groups in West Pakistan as well, most notably the National Awami Party with its strong base in the Frontier and Baluchistan. If a united Pakistan contained a province, East Pakistan, which had 54·1 per cent of the total population and thus skewed the one-man, one-vote pattern, the problem in residual Pakistan is even more pronounced. In the present State, 58·0 per cent of the population resides in the Punjab and that province elected 82 of the 138 members of the National Assembly.[6] The demand, accepted by Yahya, for the break-up of the single province of West Pakistan into the four provinces was pressed by the smaller provinces in order to escape what many termed 'Punjabi domination'. The constitutional settlement of centre-province relations is only one aspect of the question; a long-range and more intractable problem is that of creating a national identity which transcends provincialism and is rooted in positive rather than negative concepts.

Using his parliamentary majority and his control of the forces of coercion as well as persuasion, Bhutto was able to achieve acceptance in the Assembly of the constitutional language defining the relationship

[6] Population based on the 1972 census.

between the provinces and the centre; he did it, however, against the objections of the National Awami Party. Both provinces in which that party had led coalition governments, the Frontier and Baluchistan, had come under the direct rule of the President prior to the constitutional vote, and Baluchistan was in a state of turmoil as tribal groups opposing the People's Party resorted to violence. To add to the National Awami Party's anger, new coalition governments which excluded it were installed in both provinces within a few days of the National Assembly's adoption of the Constitution. At the least, confidence in the central Government on the part of large numbers of the politically active in the two provinces was diminished and the potential for serious agitation increased.

The delineation of powers between the provinces and the central Government is contained in two lists appended to the Constitution, a procedure begun with the Government of India Act of 1935 and repeated in the Indian Constitution of 1950. In the new Constitution, however, there is a variation in that one list prescribes federal powers (e.g., foreign affairs, defence, income and excise taxes) and the other concurrent powers. The latter is broad and includes criminal law, labour, press regulations, and economic sectors which go beyond the boundaries of a single province, including transport and irrigation. Subjects not included in either list are reserved to the provinces, but the financial powers of the central Government make the implementation of provincial schemes, especially in the poorer Frontier and Baluchistan, very much subject to central sanction. Partially overcoming this is a provision that income from certain natural resources will be allotted to the province in which the exploitation takes place, for example natural gas in Baluchistan and electricity production in the Frontier (from the existing Warsak dam and from the Tarbela dam now under construction). Regardless of the formal enumeration of powers, the central Government holds the key to provincial autonomy, if for no other reason than that it has the power to suspend provincial administrations when, in its view, the local government is unable to function. The vice-regal powers of 1935 could be used again under the 1973 Constitution.

The constitutional debates have diverted attention from a more basic problem area: the development of a positive Pakistani national identity. In the summer of 1972 one frequently heard the statement that there were five nations in Pakistan—as there had been two (Muslim and Hindu) in India before partition. Four of the five, Punjabis, Sindhis, Baluchis, and Pathans, have provinces of their own. The fifth, the Urdu-speaking refugees (*muhajirs*) who raised the cry, has demanded recognition. In a series of legislative actions the provinces other than Sind adopted Urdu as the language of administration, even though in none of them did the majority of the population accept Urdu as its mother

tongue. In Sind, however, the legislature voted Sindhi as the offici language. The *muhajirs* reacted violently and the Sindhis retaliated i kind. The civil authorities had to resort to military assistance to contro the disturbances. Sind provides a laboratory for the study of the diffi culties of the refugees as well as of the unfulfilled aspirations of th Sindhi Muslims. The commerce and the professions, as well as much o the land of the province, were largely in the hands of Hindus in 1947; bu their departure did not provide opportunities for the Muslims of Sind Much of the economic area vacated by the Hindus was filled by *muhajir* from North India and the higher levels of commerce and industry b refugee capital from Bombay and Gujarat. New canal colonies were mos frequently populated by Punjabi military and civil officers who wer allotted land under various compensatory schemes. Even the expansio of industry in Karachi did not provide employment for Sindhis but rathe for Pathans and Baluchis who migrated to the city. Now an opportunit arose to use language as a weapon, and perhaps thereby to attain entr into the economic system, and it was used. On the other hand, th *muhajir* could claim, with considerable justification, that he had mad sacrifices for Pakistan and that in north India he had fought the cause o the Muslim League. He now saw himself deprived of the benefits of the nev nation he had helped to create. It might be thought that twenty-seve years after the formation of Pakistan the question of the integration of th *muhajirs* would no longer be pressing, but this is not the case and the addi- tion of new Urdu speakers from Bangladesh will only add to the prob- lem.

More important than refugee integration, however, is the welding o the four provinces into one nation, not constitutionally but psychologic- ally, not through coercion but willingly. During her existence Pakista has largely defined her identity in a negative way—that is to say, Paki- stanis have more often proclaimed what they are not ('we are not Indians' than what they are. The two-nation theory is at the root of this stance but at present it seems to many Pakistanis to be out of date, since Pakista is not the homeland of the Muslims of the subcontinent: the Muslims ar now roughly divided equally between Pakistan, India, and Bangladesh and those in the latter two countries have already chosen not to becom part of Pakistan. It is not easy to suggest a way to Pakistani self-identi- fication, for if the two-nation theory is rejected the very raison d'être o the country is called into question. Yet the unity of the nation is at stak and the people in each province must be shown, and must recognize, th benefits of working together.

India and the world

Related to identity is the question of Pakistan's future relations with her much larger neighbour, India. The cry of 'Islam in danger' and the

fear, justified or not, that India wishes to force a reunification of the subcontinent have served in the past both to unite West Pakistan and to increase the likelihood of a confrontation between the two countries. If the 1971 war showed anything, it was that Pakistan is no match for a much larger and better-equipped India. The immediate bone of contention between them is Kashmir, and while one might agree that philosophically Pakistan's stand on a plebiscite is correct, the issue has for all practical purposes been settled on India's terms.

Bhutto has taken two important steps toward an accommodation with India and has suppressed his campaign slogan of a thousand-year confrontation. The Simla meeting in July 1972 was the first of these, and resulted in partial normalization of relations (short of resumption of diplomatic relations) and the eventual withdrawal of troops behind the international boundaries along the border and to mutually agreed ceasefire positions in Kashmir. The next step was delayed perhaps longer than it should have been, but in August 1973 India and Pakistan, with the concurrence of absent Bangladesh, agreed to a three-way exchange of persons displaced by the war: most Pakistani prisoners would return from India, Bengalis in Pakistan would be repatriated to Bangladesh, and Urdu-speaking Biharis would be accepted by Pakistan from Bangladesh. The agreement was not without difficulties for Pakistan but the prisoner question was largely settled (trial of some prisoners by Bangladesh remains a possibility). Bhutto has been authorized by the Assembly to recognize the independence of Bangladesh when it is 'in the national interest' to do so; de facto recognition has, of course, been granted as a result of the August agreement, which requires the two Governments to acknowledge each other's existence. He must now move toward more cooperative relations with India—and this will require a more responsive attitude on her part as well. Resumption of diplomatic relations and the opening of the borders to travel and trade seem to be politically feasible.

Pakistan's international image following the conflict was badly in need of repair. Though China and the United States had given vocal support to Pakistan once the international conflict began, it was obvious that in the US the positions of the Nixon Administration and the more active sections of public opinion were diametrically opposed. It seems evident that Bhutto, who has travelled to Washington, Peking, Moscow, London, and the Middle East since he came to power, has done much to rehabilitate Pakistan internationally—although he was disappointed that she was not invited to the recent Algiers meeting of the non-aligned nations. He has abrogated Pakistan's ties to SEATO but, possibly in deference to the Shah of Iran, has maintained a connection with CENTO. He apparently has also been disappointed in his quest for military assistance. China reportedly has provided some supplies, but the United States turned him

away empty-handed save for the completion of a small shipment whi was in train prior to the military action in East Pakistan.

Opposition and treason

Turning back to the domestic scene, one of the most disconcertin aspects of Bhutto's two years in office has been his continuance of th Pakistani habit of equating opposition with treason. During what ha been called the vice-regal period prior to Ayub there were signs of in tolerance of opposition by various regimes, exemplified by such legis lation as the Public and Representative Offices Disqualification Act an the frequent interventions of the central Government in provinci affairs, especially in East Pakistan. Under Ayub this tendency grew wit arrests, persecution (including that of Bhutto), and limitations on pres and other freedoms essential to an open society. Political repression an a failure to recognize the demand for political participation in both wing of the country were among the reasons for Ayub's downfall. Paradoxi cally, it seems that the first two years of the Yahya regime brought th greatest amount of freedom since 1958, as political parties and the pres were allowed almost unlimited scope for operation, especially during th long election campaign of 1970.

The Bhutto regime has to a large extent turned the clock back. It ha continued the state of emergency and this provides a means to limi opposition and freedom of expression. The apparent toying with the ide of an Ayub-type presidential system in the new Constitution created fea that Bhutto might move toward a form of dictatorship. It also cost hir the allegiance of one of the nation's most adept advocates of civil libertie Mian Mahmud Ali Qasuri. Qasuri, Minister of Law and chairman of th constitutional committee of the Assembly, resigned in opposition to th strong executive proposals of Bhutto; he and his family have since bee harassed by the Government, mainly by the governor of the Punjab Ghulam Mustafa Khan Khar, who has been compared to Ayub's Wes Pakistan strong man, the Nawab of Kalabagh. Nor is Qasuri the onl political figure to have been harried: others include Khan Abdul Wal Khan of the National Awami Party and Air Marshal Asghar Khan of th Tehrik-i-Istiqlal.

The press, which enjoyed a brief period of freedom under Yahya, ha suffered a substantial degree of suppression. The most noted case is tha of the editor of *Dawn*, Altaf Gauhar, who has been arrested unde dubious charges—though there is a degree of poetic justice in this, a Gauhar himself was a stern monitor of the press when he was Informatio Secretary under Ayub. In addition, *Dawn* and several other newspaper have had government advertising withheld, thereby losing an importan source of revenue. Taken as a whole, the Pakistani press can hardly b called responsible in its criticism, but it would be wrong to deny that it i

› times capable of constructive comment and the expression of reason-ɔle demands. In the case of press restrictions, as in the harassing of mem-ers of the political opposition, Bhutto's followers have a tendency to go ırther than the Prime Minister, but there seems still to be a failure to istinguish between opposition and treason.

'arty building

Bhutto's (and his followers') apparent insecurity in domestic politics robably stems from the realization that the People's Party is not yet an ıstitutionalized political group. The principal issue in the 1970 election ımpaign was Bhutto himself and the election was won largely on his ersonal appeal; his opposition to Ayub infected the middle classes, both rban and rural, and especially the students who acted as his missionaries ı the rural areas. Secondarily, the party won on the basic economic sues of food, housing, clothing, land to the landless, and work for the ıbourer. But the hard work of local organization was not completed efore the election and there are few signs that the party structure has een improved since. There is still a great dependence on Bhutto—'The 'hairman'—himself.

Further, the sources of strength are different in the two principal rovinces, the Punjab and Sind. In the latter, Bhutto is accepted as a ader of the province, the first since independence to make a mark on ıe national political scene. He belongs to the leadership group, the ınded gentry, and can through linkages call upon vote banks from others ı that group; but as in any 'patron party' loyalty is not always perma-ent and there have been defections. In the Punjab, on the other hand, e represents a revolt against privilege and is a man of the dynamic left-f-centre coalition of students, lawyers, labour, and middle-size farmers. 'he building of a party is time-consuming but it is essential if the leader to have a permanent vehicle through which to project his personality nd to institutionalize his programmes. It can also provide a mechanism ɔr feedback from local levels independent of the administrators and this ı turn can lessen or at least temper reactions to opposition. A strong party ın also go far to ensure orderly transition to a successor when necessary nd make it more likely that programmes will outlive the founder. .eceiving power by default, as Bhutto and the People's Party did, is one ıing. Building a lasting political edifice in the form of a party is another nd this has not yet been done.

The record of two years in office has been one of substantial achieve-ıent in state building, in international affairs, and in recovery from the ifficult situation of December 1971. Other accomplishments might have een mentioned as well, including the upturn in international trade and ı domestic production (hindered now by the untimely flooding in the unjab and Sind) and the streamlining of the civil-service structure. None

the less, Pakistan has yet to find answers to the problems of provincialism identity, tolerance of opposition, and party building. To these Bhutt must now turn his attention.

The Afghani coup and the peace of the Northern Tier

STEPHEN OREN

It is no doubt unfair to the Afghani people to discuss only the extern consequences of the July 1973 coup while giving almost no attention t internal Afghani conditions. A partial justification is that the new repub lic has been most vague about domestic policy, while some foreign polic glimpses have emerged. A fuller justification is that the new regime foreign policy may affect the destinies of millions between Baghdad an Peking.

But even a foreign-policy-oriented article must start with Afghan stan's internal policies. Over the past decades, the major problems of he rulers have been, first, economic development of this harsh, mountainou and landlocked country and, second, maintaining unity among he diverse peoples (see table). The policy of deposed ex-King Muhamme Zahir Shah was one of gradual economic development combined wit slow steps toward democratization (a difficult task in a land still largel ruled by tribal chiefs), and the promotion of a unified national 'Aryai culture based on Pushtoon language and history.

Muhammed Daud Khan, Afghanistan's new President, was asso ciated with a quite different policy during the years before 1963, whe he ran Afghanistan as Prime Minister. He sought national unity b turning the attention of articulate Afghanis to 'Pushtoonistan', an il defined area which would seem to include the Pakistani provinces of th North West Frontier (NWFP) and Baluchistan. Afghanistan, wit some help from dissident Pushtoon tribesmen and leaders, argued tha this vast territory should not form part of Pakistan (or, earlier, India) rather, it should be recognized as the national territory of the Pushtoon who also constitute 40 per cent of the Afghani population and provid Afghanistan with her politico-military elite. (Indeed, until very recentl 'Afghan' was simply a synonym for 'Pushtoon'.) While the Afghans ar

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till unclear on the details, the proposed Pushtoonistan would in some ray be united with Afghanistan. This would mean that the new expanded ıfghanistan would have not only a solid Pushtoon majority to match her 'ushtoon ruling class but also direct access to the sea (via non-Pushtoon laluchistan) instead of depending on Pakistani (or Soviet) facilities.

Major Ethno-Linguistic Groups in the Northern Tier

Group	*Afghanistan* %	*Iran* %	*Pakistan* %	*Total (millions)*	*Comment*
unjabis			63·1	36·6	Educated speakers use Urdu for writing and culture
ersians		66·9		16·6	Shia Muslims. Dominant Group in Iran
ushtoons	41		13·1	7·6	Dominant in Afghanistan. Mainly tribal
indhis			11·9	6·9	Most educated speakers use Urdu for writing and culture
zeris		20·6		5·2	Also found in Azerbaidzhan, USSR
'rdu-speakers			7·2	4·2	Official language of Pakistan. Native speakers are refugees from India
'ajiks	22			3·5	Linguistically close to Persian but speakers Sunni
aluchis	2	2·3	2·4	2·3	Mainly tribal
.azaras	12·5			2·0	Shia Persian-dialect speakers of Mongolian origin. Mainly tribal
'zbeks	9			1·8	Mainly tribal. Also found in Uzbekistan, USSR
'urkoman	8	1·7		1·4	Mainly tribal. Also found in Turkmenistan, USSR
urds		5·6		1·3	Mainly tribal. Also found in Iraq, Turkey, Syria
rahui	0·7		0·9	0·6	Tribal. In Baluchistan
rabs		2·0		0·5	In oil-rich Khuzistan area
.irghiz	2			0·3	Tribal. Also found in Kirghizia, USSR
Totals nillions)	16	25	55		

ıing the Pushtoonistan Issue

For the new republic, 'Pushtoonistan' appears a logical issue with ıich to cement national unity. President Muhammed Daud Khan has eady singled out Pakistan as the state with which Afghanistan has an econcilable dispute. The most evident cost of this policy for Afghani-

stan is the risk that Pakistan may close their common border and Afghanistan's trade routes. Islamabad has done so from time to time. But this cost has been borne by the Powindahs (Pushtoon nomads) rather than by the more articulate Afghani public.

Recent developments in Pakistan have made the 'Pushtoonistan' policy even more tempting. Since the loss of Bangladesh in 1971, Pakistan's politics have revolved on the tension (to put the matter in oversimplified form) between, on the one hand, the densely populated Punjab and Sind provinces in the Indus River valley which support the centralizing policies of Prime Minister Zulfiqar Ali Bhutto and his Peoples Party and, on the other, the large, sparsely populated NWFP and Baluchistan which support the autonomist (and pro-Soviet) policies of Khan Abdul Wali Khan's National Awami Party (NAP). During the past few months, tensions in Pakistan have grown. Both the NWFP and Baluchistan have been placed under central administration. There is already a guerrilla force, according to Pakistani sources, of 6,000 Baluchi rebels which have had a number of armed clashes with the Pakistan armed forces. The NAP has welcomed the Afghani coup as giving it more leverage vis-à-vis Islamabad. In these conditions, an Afghani decision to confront Pakistan on the Pushtoonistan issue by, for example, providing arms and shelter for Baluchi and Pushtoon rebels would be welcomed by many Pushtoons and Baluchis in Pakistan.

How much of this sentiment is real is a valid question. To a large extent Pushtoon and Baluchi demands are simply a bargaining device vis-à-vis Islamabad to obtain greater autonomy within Pakistan. The Pushtoons of Peshawar (in Pakistan) view Afghani Pushtoons as hicks. The Baluchis (and Brahuis)[1] of Baluchistan lack even an ethnic tie with the Pushtoons (although Baluchi and Pushtu languages have common antecedents) and were included in 'Pushtoonistan' only because Baluchi lands lie between Afghanistan and the sea. Yet, 'none goes so far as he who knows not where he goes'. Even if Pushtoon and Baluchi leaders are bluffing, the same could have been said three years ago of Sheikh Mujiber Rahman and his Awami League when they demanded an autonomous East Bengal within a confederal Pakistan. And perhaps it was true then.

Relations with India and the USSR

But the Pushtoonistan issue goes beyond Afghani-Pakistani relations. An irredentist Afghan Government must ally itself with India and the USSR. These two countries, Afghanistan's two main trading partners, were the first to recognize the Afghani Republic and some observers—

[1]The Brahuis are a nomadic people living in Baluchistan whose language, unlike those of their neighbours, is not Indo-Aryan but Dravidian, related to the languages of South India. They may be the last remnants of the Mohenjo-Daro civilization that flourished four thousand years ago.

ware that the Afghani officers behind the coup were Soviet trained—oubted that the Soviet and Indian roles were purely after the event.

During the 1965 and 1971 Indo-Pakistan wars, Afghanistan main-ained her neutrality while many Pushtoon tribesmen on both sides of the order tried to join the Pakistan armed forces to fight the infidel Hindu nemy. An Afghanistan hostile to Pakistan would threaten the latter with war on two fronts in the event of Indo-Pakistani trouble. Indeed, it is ard to see how Pushtoonistan could come into existence except by virtue f an Indo-Afghan pact to partition Pakistan, with the Punjab, Sind, and he Pakistani part of Kashmir going to India, and the NWFP and aluchistan to Afghanistan. To be sure, India has little reason for wishing acquire two more troublesome provinces. But her ties to Kabul and the ossibility of such a pact are a potent inducement to Pakistan not to ntagonize India further. At the same time, these ties guarantee Afghani-an against any serious Pakistani retaliation.

The Soviet Union's interests are also involved. Afghanistan's quarrel ith Pakistan has made her increasingly dependent on the USSR. Almost ree-eighths of Afghanistan's external trade (including virtually all of her on-traditional' exports such as the natural gas of Mazar-i-Sharif) is ith the Soviet Union. Afghanistan is a major client for Soviet foreign d; the Afghani army is Soviet-trained and equipped. Soviet interest ises from their common border and from the presence in Afghanistan Turkic ethnic groups (Kirghiz, Uzbek, Turkoman) also found in the SSR. But there is no reason for Russia to be unhappy with an Afghani gime that puts pressure on Pakistan, a Chinese—or perhaps Sino-merican—client. Of course, an Afghanistan which included Pushtooni-an would not be in the Soviet interest since the enlarged country with cess to the sea would be less dependent on Moscow. Of more impor-nce is that India, once she had reached the natural frontiers of the sub-ntinent at the Indus River, would also have less reason to maintain her s to the USSR.

The limitations on the Soviet role in Afghanistan must also be noted. he Russians appear to have made no effort to indoctrinate Afghanis with arxism or to support a Communist Party in their country. The parlour arxists of Kabul (and they exist) were not educated by Moscow, nor has attempted to exploit the ethnic ties existing between groups in the two untries. At a time when Moscow is increasingly concerned about the owth of ethnic nationalism within the USSR and the higher birthrate its Turkic, as opposed to its Russian, citizens, it may well feel it best let sleeping dogs lie. Certainly, none of the Soviet Republics in entral Asia have advanced irredentist claims on Afghanistan. Rather, ghanistan has been and, notwithstanding the coup, is likely to remain e 'Finland of Asia'.

Iran's attitude

It is not only Pakistan that is worried by Baluchi nationalism and its Afghani backing. The Baluchis spill over into Iran. Historically, the Iranian Baluchis have been an unimportant tribal group living in a back-water (more correctly, no-water) province far from Tehran. But that province borders on the Gulf of Oman which, in turn, lies between the Persian Gulf and the oceans of the world. In a world dependent on oil, in which over half the world's oil reserves are in the Persian Gulf area, Iranian Baluchistan must clearly be considered strategically located. Dissidence there could do much to undermine the Shah's efforts to impose a Pax Iranica on the Persian Gulf.

Although the Iranians and the Afghanis belong to different Muslim sects (the Iranians being Shia, the Afghanis—like the Pakistanis—Sunni), the two countries have been traditionally friendly. The Iranians looked upon Afghanistan where Persian was the language of government, as a land engaged in the same process of 'White Revolution' as they were. There had, indeed, been talk of Afghani facilities at the new ports (e.g. Bandar Abbas) being developed in Iran's south-east. Especially after Pakistan's loss of Bangladesh, there was even talk of a confederation of the three states, adding Pakistan's greater population to Iran's oil resources. (After all, Persian is still a language of culture in Afghanistan and Pakistan.) The new regime in Kabul presumably ends such hopes for the moment, even though it would provide a framework for both Pushtoon demands for autonomy and Afghan needs for access to the sea.

Nor is the threat of Afghani backing of Iranian and Pakistani Baluchis the only reason for official Iranian unhappiness at the coup. The last thing the Iranian monarchy needs is yet another illustration of the ease with which a Middle Eastern king can be deposed. Despite the Shah's extensive purchases of American and British weapons, the contest between Iran and Iraq for mastery of the Persian Gulf has been political rather than military. Iran supports Kurdish rebels against Baghdad. Iraq gives arms and backing to Iranian terrorists (who, for example, shot a US military attaché in Tehran last June) and to Arab rebels in Khuzistan. And, lest the Iranians wish to use more direct means, the Iraqis maintain an alliance with the USSR.

A 'Baluchi Liberation Front' has already been established in Baghdad. The discovery, in February 1973, of large quantities of arms in the Iraqi embassy in Pakistan caused a break in Baghdad-Islamabad relations. These arms, it now appears, were intended for Baluchi separatists. For the Shah, aware that Iran lies between the USSR and her coveted warm-water ports, a feeling of encirclement may be growing.

The Iranians have responded on both the military and economic fronts. Even before the Afghani coup, the Iranians were committed, as

part of their multi-billion-dollar military build-up, to a £240 million two-year crash programme of creating an extensive air/naval base at Chah Behar, a port in Iranian Baluchistan, in addition to committing some £80 million for improvements at Bandar Abbas, the port controlling the Strait of Hormuz between the Persian Gulf and the Gulf of Oman. The Shah's immediate response to the Afghani coup was to indicate publicly his interest in the most advanced US airplane, the F-14, to add to his already formidable collection of F-4 Phantoms. Economically, Iran's policy has been to use her oil revenues for improving the lot of her peasants, creating a Kulak class which will presumably be loyal to the Shah. To this have been added special programmes for improving conditions in Iranian Baluchistan.

On the diplomatic level, lines are being drawn with increasing and disturbing clarity. Iran and Pakistan, traditionally friendly, have been busy holding joint manœuvres. The Shah has recently declared his support for the territorial integrity of Pakistan 'against any aggression'. The Indians and the Soviets have not bothered to hide their dislike of Iran's military development, ostensibly aimed at making Iran capable of resisting any non-nuclear attack. The Indians fear that in the event of Indo-Pakistani conflict, the weapons acquired by Iran will be found in Pakistani hands. The Indians, moreover, tend to regard the Indian Ocean as mare nostrum—Iranian efforts to obtain a naval capability in it (signalled by Iran's acquisition of base rights on the island of Mauritius) have disturbed them. In response to Iranian moves, the Indians have begun to increase economic ties with Iraq, thus further adding to Iranian fears of encirclement.

But Iran and Pakistan have great-power patrons of their own to counter Soviet backing of the emerging Afghani-Indian-Iraqi axis. On the one hand, there are the Iranian and Pakistani pacts with the US, the main supplier of Iranian arms. However, while the Iranians have been careful to maintain their ties with Washington, US willingness, in this post-Vietnam period of retreat from foreign involvement, to support Iran or Pakistan is less clear. The public outcry in the US at the administration's support for Pakistan during the conflict over Bangladesh is not regarded as an encouraging portent either in Tehran or Islamabad.

There remain the Chinese. Since the early 1960s there has been a tacit Sino-Pakistani alliance against the Indians. Despite Chinese inaction during the 1971 conflict (caused, at least in part, by Soviet pressures on China), this alliance—of which Bhutto is a firm supporter—continues. Iranian-Chinese ties are also developing. For all the ostensible 'radicalism' of the Chinese and their support of Arab extremist groups in the Arab-Israeli dispute, the Chinese Government has recently stated its support for the Iranian position in the Persian Gulf.

In examining this alignment, one should not be tempted to think of it

as self-balancing. It is not. China is merely a great power, while the USSR is a super-power. While Iran's purchases of arms have given her a military supremacy in the Persian Gulf, she is clearly not the equal of India with her own defence manufactures. And while the Pakistani army held the Indians at bay in the west in 1965 and 1971 (no one ever supposed that the Pakistani army could hold East Bengal against an Indian assault), it is doubtful if it could do so with a hostile Afghanistan at its back. India's geopolitical ambitions, however, rest upon a weak domestic base. The decision to create Bangladesh was taken when India thought she had solved her food problem. Now that the euphoria of the Green Revolution has ended and the price of what Professor Galbraith once called 'Post Office Socialism' is known, the Indians may well be far more cautious. Certainly, New Delhi needs no more territory to add to India's diversity.

So far, everyone is bluffing. Threats from Kabul, the NAP, or Baghdad on one side or from Tehran or Islamabad on the other are meant to be taken only semi-seriously. Yet, how long can such a situation endure? In the hills of Baluchistan and Kurdistan, in the streets of Tehran, real guns are firing at real people. It is not always safe for statesmen to play with guns.

Chinese economic performance

R. P. SINHA

In purely economic terms, China's record has not been outstanding, but developing countries—and particularly India—could learn from Mao's social policies.

WITH the recent 'opening up' of the People's Republic of China, many books and articles on the country have appeared. The general picture conveyed by these publications is of an impressive economic performance during the last two decades. By implication, if not always explicitly, the suggestion is made that, while the Chinese have attained such tremendous success, other developing countries have not done so well; India, for example, the country which for reasons of size, history, and geographical considerations can be most justifiably compared with China, has come in for much criticism for not showing similar progress. In view of the weaknesses of the available statistics on developing countries, and particularly on China, any such comparison is bound to be impressionistic. However, by none of the conventional measures of economic development (e.g. rates of growth of the gross national product (GNP) per capita, or rates of growth of agricultural output) is the Chinese performance outstanding. Only in terms of their social priorities have the Chinese a definite claim to superiority: in so far as a radical redistribution of income and wealth can significantly reduce hunger and malnutrition, unemployment, deprivation, and filth, most developing countries can learn from the Chinese experiment. Whether they can put such lessons into practice will, of course, depend on their political system, and the willingness and ability of their leaders to move in this direction.

Growth of GNP

Reliable information on the total amount of goods and services produced in China is hard to come by, in particular for the 1960s. The available estimates of GNP for 1970 or 1971 vary from US $65,000m. to $140,000m. Such uncertainties, naturally, result in varying estimates of the rate of growth of GNP per capita. According to a recent US estimate,[1]

[1] Joint Economic Committee of the US Congress (1972) *Peoples' Republic of China, An Economic Assessment* (henceforth, *Assessment*), pp. 46–7.

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the GNP of China increased from $59,000m. in 1952 to about $120,000m. in 1970, making her the seventh largest country in the world in terms of total GNP. While this gives an annual rate of GNP growth of 3 per cent per annum, other more optimistic estimates place the average annual growth rate at around 10 per cent. For instance, another US Government source recently mentioned a rate of growth (of GNP) of 9 per cent between 1961 and 1970.[2] Similarly, *The Economist of Japan* in 1967 estimated that the Chinese GNP increased between 1961 and 1966 by over 10 per cent per annum.[3] These estimates have a gross upward bias, as 1961 was one of the worst years for output in China since the Second World War. The index of output was at 87·97 (1957=100), the same as in 1955. It was only in 1963 that the economy had recovered to the 1957 level.

Table 1—*Rates of growth of GNP and per capita GNP in selected Asian countries* (1957–1970)[4]

	Annual rate of growth (compound rate)	
	GNP	*Per capita GNP*
Taiwan (1964 prices)	9·0	5·6
Republic of Korea (1965 prices)	8·0	5·1
Philippines (1955 prices)	5·6	2·2
India[a] (1960–1 prices)	3·6	1·1
China (1955 US dollars)	3·1	1·0

a Net national product.

It appears from Table 1 that in the rate of growth of both GNP and per capita income Chinese performance was similar to Indian, but inferior to that of other Asian countries. Much the same can be said of the industrial output as well (Table 2).

It seems that Chinese industrial output did not rise faster than Indian, and it was rising at a much slower rate than that of other Asian countries. A more detailed comparison between China and India (Table 3) suggests

[2] US Arms Control and Disarmament Agency, *World Military Expenditures* 1971, Table V, p. 23.

[3] *The Economist of Japan*, 8 July 1967. A further assessment by a leading US economist, Alexander Eckstein, is given in *China Quarterly*, April/June 1973; he suggests an average rate of growth of 4 to 4·5 per cent per annum between 1952–1970 (p. 234). A recent study estimates the rate of growth of national income for the period 1952–65 at 3 per cent per annum (see S. Swamy, 'Economic Growth in China and India', in *Economic Development and Cultural Change*, Vol. 21, No. 4, Part II, p. 61).

[4] Joint Economic Committee of the US Congress (1972) *Economic Development in Mainland China* (Hearings), p. 33. If the base is changed to 1952 the rate of growth of GNP per capita comes to 2 per cent per annum. Although the Chinese claim that recovery after the war years was completed by this time, it is felt that this was not the case. Moreover, the quality of statistics for this year is extremely poor.

Table 2—*Rates of growth of industrial output in selected Asian countries*[a]

Country and period	*Annual rate of growth (compound rate)*
Taiwan (1957–70)	17·8
Republic of Korea (1957–70)	16·0
Pakistan (1957–69)	9·8
India (1957–70)	6·2
China (1957–70)	6·0
Philippines (1957–69)	5·5

at the Indian industrial performance has been comparable with the hinese. What is more, the selection of 1961 as the base year for China aggerates the rate of growth.

able 3—*Compound rates of growth per annum of selected industries in China and India* (1961–70)[e]

	China	*India*
Total industrial output[a]	6·0	6·1
Electricity	6·8	11·0
Coal	6·2	4·0[b]
Crude petroleum	15·0	11·0
Crude steel	8·4	8·5
Chemical fertilizer	18·0	17·0
Cement	8·0	7·7
Paper	7·5	9·5
Cotton textiles	6·5 (3·0)[a]	2·7
Sugar	9·3	4·0

[a] 1957–70. [b] 1951–70.

gricultural output

The overall index of agricultural output in 1970 in China was only 132 952–6=100), which suggests a rate of growth of 1·7 per cent. Vagaries f weather play a more important part in agriculture than in the industrial ector, and the average of five years between 1952 and 1956 has, therefore, een taken as the base. It is clear from Table 4 that in terms of the rate of rowth of output of food production China ranks lowest among the Asian ountries selected. In terms of per capita consumption of food, the hinese levels are only slightly higher than those of India and Indonesia. ut, on the other hand, the climate in China is harsher than in both these ountries; at the same time, the average activity rate is higher in China nd therefore on average the Chinese people require a higher energy in-ke. However, because of a more egalitarian distribution, the standard

[d] Estimates, *ibid*, p. 32.
[e] Calculated mainly on the basis of *Assessment*, pp. 83 and 71 for China, and overnment of India, *The Fourth Plan Mid-Term Appraisal, December 1971.*

of food consumption of the poorer sections of the community in Chi is certainly much better than that of their counterparts in other d veloping countries.

Table 4—*Rate of growth of agricultural output in selected Asian countri between* 1952–70 *and levels of food consumption*[7]

	Food production	*Agricultural production*	*Per capita food consumption*		
	Per cent per annum	*Per cent per annum*	*Calories*	*Proteins (gr.)*	
				Total	*Anima*
Sri Lanka	3·6	2·8	2,370	79	8·5
India	2·6	2·5	1,990	50	5·6
Indonesia	2·5	2·2	1,920	43	5·2
Pakistan	3·2	2·8	2,410	55	10·0
Philippines	3·2	3·2	2,070	53	21·0
Taiwan	3·8	3·8	2,620	68	21·0
Republic of Korea	4·1	4·2	2,490	58	19·0
China	1·8	1·7	2,050	57	8·0

Other selected indicators of economic development shown in Table for China and India do not suggest a clear-cut Chinese superiorit Chinese per capita consumption exceeds that of India in capital good except for cement and electricity, but the reverse is true for consum goods. In transport India has a lead over China, though perhaps not the case of inland water transport. Even in social variables, the Indi situation is not a great deal worse than it is in China.

Table 5—*Some selected indicators of economic development, India a China,* 1970[8]

	China	*India*
Per capita availability of consumers' goods		
Cotton textiles (meters per annum)	9	15
Sugar (kg. per annum)	2	8
Radio receivers (per 1,000 persons)	16	19
Availability of producers' goods (per 1,000 of population)		
Crude steel (kg.)	21	12
Crude oil (kg.)	21	13
Coal (kg.)	360	140
Cement (kg.)	15	30
Electricity (kwh)	72	109

[7] Based on FAO *Production Year Book 1971*. Food consumption figures a for the latest years.

[8] *Assessment*, op. cit; *UN Statistical Year Book 1971*; and Government India, *The Fourth Plan Mid-Term Appraisal*, December 1971. See also R. Sinh 'Elitism versus the mass line', *The Times*, 4 December 1972.

	China	India
nsport		
lway track (per 1,000 sq. km. of area)	4 (2)	18 (1·8)
ads (per 100 sq. km. of area)	70 (57)	297 (180)
comotives per 100 km. of railway track	150	200
ight cars per 1,000 km. of railway track	462	666
tor trucks per 1,000 km. of road	770	524

gures in parentheses indicate additions since 1959).

ial indicators		
eracy (percentage of adult population)	40	30
mary school enrolment percentage of relevant age group)	95	77
nual graduation from institutions of higher education (numbers)	[a]40,000 (1970) 200,000 (1965)	800,000
entific and technical personnel	710,000	985,000 (1968–9)
ulation per hospital bed	1,800 (1957–9)	1,671 (1965)
ulation per physician	[b]1,257 [c]7,270 (1968)	4,610 (1967)
ectation of life	54	52

reduction was caused during the Cultural Revolution.
udes the 'barefoot' doctors.
y Western style doctors.

he next question to consider is whether the Chinese performance has 1 better than the Indian in its qualitative aspects. Here we may look ome specific issues like population planning, unemployment, urbanon, inequality of income, and spending on defence.

ulation planning

ontrary to popular belief outside China, rapid population growth still ains a major problem. In the absence of any nationwide census since }, estimates of total population as well as its rate of growth still remain ectural. Chinese leaders frankly admit that various government rtments use widely varying estimates of population. For instance, Premier Li Hsien-nien admitted in November 1971 that 'some le estimate the population at 800 million and some at 750 million'. ortunately, there are no accurate statistics in this connection. Neveress, the officials at the supply and grain department are saying contly 'the number is 800 million people'. Officials outside the grain rtment say the population is '750 million only', while the Ministry of merce affirms that 'the number is 830 million only'.[9] An atlas lished by another Government agency (the China Cartographic itute) gave a population total of 697·2 million for 1970. These uncerties have led to varying estimates of population growth; recent

'BIS Daily Report: *People's Republic of China*, 10 December 1971, p. A-8.
a recent treatment of the population problem see Leo A. Orleans (1972), *y Fifth Child: The Population of China*, and John Aird (1972), 'Population y and Demographic Prospects in the People's Republic of China' in *Assess-*, pp. 220–331.

estimates suggest an annual rate of increase of anything between 1·8 and 2·4 per cent.

After some initial vacillation, the Government has accepted family planning as a major policy instrument. Efforts to popularize late marriages and techniques of family planning have been intensified. Contraceptives, sterilization, and abortions are offered free. Oral contraceptives are now more popular than IUDs. The distribution of contraceptives and pills is organized through street and residence committees in the cities and the 'barefoot' doctors (para-medical health workers with only a few months basic training) in the rural areas. In spite of recent intensification of effort in this direction, family planning is still effective mainly in the urban areas only. In the course of a talk with Edgar Snow in 1970, Chairman Mao admitted that the force of tradition still persisted in rural China; people still had a preference for a male child and many peasant couples continued having children until the woman was forty-five.[10] There does not seem to be a great deal of difference between Indian and Chinese programmes of population control, nor is there any significant detectable difference in achievements so far.

Inequality of Incomes

One of the major achievements of the Chinese Communist regime has been to guarantee the basic minimum of food, clothing, shelter, education, and employment to all. This aspect of Chinese economic development must be seriously studied and as far as possible copied in other developing countries. It needs to be stressed, however, that such a policy has been greatly facilitated by the Chinese political system. One of the main preconditions for its success has been the expropriation and re-distribution of land, and the public ownership of other means of production, which is not easily attainable in other political systems. Another powerful weapon for keeping consumption levels within limits is price-control and rationing. Essential commodities (rice, wheat, sugar, edible oils, and cotton cloth) are still rationed in China. In mixed economies, price-control and rationing invariably become a source of corruption and black markets, and even China has not wholly escaped these afflictions.

In spite of such radical measures, substantial inequalities in income do exist, not only between regions, sectors, and communes, but also between families. In the rural areas, payment for farm labour is made on the basis of work done. Income-differentials emerge as a result of the varying size of the family, the skills they possess, and the types of work they do. Differences in income between people in different villages (or in different regions) occur because of differences in available natural resources (e.g. fertility, possibility of irrigation, nearness to market, etc.). There are significant income differentials between the rural and urban sectors. The

[10] Edgar Snow, 'A conversation with Mao-Tse-tung', *Life*, 30 April 1971.

sage annual earnings of an industrial worker are generally twice as
ch as those of a farm worker; a farm worker near Canton in 1971
ned on average around 225 yuan a year, while a wage earner in Canton
uld receive almost 500–700 yuan. Moreover, the medical, educational,
ial security, and other fringe benefits are invariably much better in
ms. Remuneration in white-collar jobs—although the distinction
ween white and blue-collar jobs is not made in China—is somewhat
her than that of factory workers. Young university teachers and
:tors start at an annual salary of nearly 600 yuan, while the highest paid
s in these professions could fetch up to three times as much. Many of
people who earn such high salaries are old and due to retire soon;
er their retirement their successors are not expected to earn as much.
inese leaders are anxious to eliminate such inter-sectoral, inter-
gional, and personal differences in incomes, status, and power; in fact,
was one of the major problems against which the Cultural Revolution
s directed. But the leaders admit that such differences are not easy to
minate and will continue to exist, at least in the foreseeable future.

sguised unemployment

A rapidly rising population, increasing expectation of life, and the
ancipation of women have added millions to the work force. In spite of
: heroic efforts to mobilize surplus labour on irrigation projects, the
nstruction of roads and railways, etc., several million people were un-
iployed in the towns during the first Five-Year Plan. Lack of suffici-
t employment opportunities in rural areas, coupled with the attractions
urban life, led to a continued migration to towns in the 1950s. Urban
ims and destitution were averted by the occasional rounding up and
mpulsory repatriation of people to their native villages, together with
ingent controls on future migration through residence permits, regula-
ns on changing employment, and food rationing. Since the setting up
the Communes, efforts have been made to bring industries to the rural
:as. But even today there seems to be overmanning of the farms, rural
nsport, and retail trade. One cannot help feeling that the number of
iolly unemployed has been reduced drastically by creating more dis-
ised unemployment. This problem is further aggravated by the 'rusti-
:ion of youth' movement. Under this scheme 'graduates of junior
ddle schools, senior middle schools, and universities' are 'encouraged'
settle in villages. It is estimated that between 1968 and 1970 almost
-15 million students were sent to villages.

Since unemployment leads not only to lack of earnings, but also to
istration and human degradation, more disguised unemployment,
iich spreads limited employment opportunities evenly among people, is
:ferable to the complete unemployment of some. In a country which
inot be made prosperous overnight, 'sharing of limited employment'—

in a broader context, 'sharing of poverty'—in itself is a social necessity. This lesson from China ought to be taken seriously by other developing countries. The conventional wisdom that tolerates inequalities of wealth and power on grounds of increasing savings and investment loses force in countries where the State becomes a major investor.

Defence spending

As indicated above, in terms of social priorities and their approach to such problems, the preferences of the Chinese seem to be decidedly superior to those of other developing countries. Unfortunately, the same is not true of their attitude to defence. Chairman Mao's view that 'political power grows out of the barrel of a gun', together with growing fears of an assumed Russian attack, has led to increasing diversion of scarce resources to defence.

China now has the second largest army in the world, with over 3 million professional men in addition to huge numbers of militiamen who can be called up at short notice in emergencies. She annually spends around US$10,000m. (1970), the third largest military budget in the world, exceeded only by the US ($78,000m.) and the Soviet Union ($65,000m.). Against this, India spends less than $2,000m. In 1970 China spent over 8 per cent of GNP (assuming a GNP of $120,000m.) on defence expenditure, and this was rising in the 1960s at an annual rate of 10 per cent. Indian military expenditure constitutes around 3·4 per cent of GNP and such expenditures have increased in the 1960s by 6·2 per cent per annum. It is estimated that military expenditures in China in 1970 exceeded welfare expenditures (education and health) by nearly 60 per cent, while in India the two were approximately the same. China's sophisticated military capacity is increasing fast. She has already detonated fifteen nuclear devices and launched two satellites; at present progress is being made on a delivery system. Probably she already has 80–100 medium-range ballistic missiles and the development of intermediate-range missiles is one of her high priorities. This will divert more and more resources away from welfare expenditures.

Essentially, the crucial differences between India and China cannot be fully expressed in economic terms alone; the distinction lies much more in the two countries' approach to social problems and in their priorities. The basic question that has to be answered in any developing country is whether the economic and political power is to remain the preserve of the privileged 'elite', or is to be shared with the masses. Contrary to the 'elitist' attitude of the Indian ruling aristocracy, the Chinese answer to this question was clear even before the Communist Party came to power. It was Dr Sun Yat-sen who wrote in the manifesto of the First National Congress of the Kuomintang: 'The so-called democratic system in modern States is usually monopolized by the bourgeoisie and has become

ıply an instrument for oppressing the common people. On the other ıd, the Kuomintang's Principle of Democracy means a democratic ıtem shared by all the common people and not privately owned by the y.'[11]

ıoice of priorities

Admittedly, even under the Communist regime it has not been easy to ıctise the 'mass-line' approach to social and economic problems. Even ıen a revolution succeeds in overthrowing the 'vested' interests, the old ıas, attitudes, customs, and habits continue to exist; in fact, the new ling class itself becomes a new 'vested' interest and tries to perpetuate own power. It was against these attitudes that Chairman Mao led a ıss-revolt in August 1966; 'trust the masses, rely on them, and respect ıir initiative' became the watchword of the Great Proletarian Cultural volution. The main attack was on the system of education and old ues which tended to create a disdain for manual labour among the ıcated 'elite'. As a result of the Cultural Revolution the period of ıooling was shortened; an attempt was made to combine teaching with ıductive labour. In addition to their studies, students were required to rn industrial work, farming, and military affairs. Merit was abolished a criterion for admission to institutions of higher education; the ıjority of places in such institutions, often as many as 95 per cent, were erved for the children of peasants, workers, and soldiers. Large mbers of technocrats were dismissed or replaced; white-collar workers re required to put in at least two months physical work either on farms in factories with a view to bridging the gulf between town and village, worker and the peasant, the masses and the 'elite', and the rulers and ruled.

None of these ideas are necessarily original. For instance, in India ıhatma Gandhi always scoffed at 'the idea that the world could be ided into two categories of workers, intellectual and manual'. He erted that 'man cannot develop his mind by simply writing or reading making speeches all day long . . . Though I have worked physically for ys and months for eight hours on end, I don't think I suffered from ntal decay'.[12] Gandhi's philosophy of Basic Education—'learning by ng'—comes very close to Chairman Mao's views on education. Even Maoist emphasis on continuing revolution has a close parallel in ndhi's feeling that 'socialization through violence only destroyed possion but did not destroy possessiveness. Even after the existing inealities of wealth have been removed, the problem of recurring inequali-

[1] Quoted in W. Chai, *Essential Works of Chinese Communism* (New York: ıtam Books, 1969), p. 234.
[1] V. K. R. V. Rao, *The Gandhian Alternative to Western Socialism* (Bombay: ıratiya Vidya Bhavan, 1970), pp. 13 and 14.

once again with the familiar but fundamental question of whether the European Community was capable of functioning as a coherent unit on the world scene—i.e. whether it had a foreign policy—or not.

As for the United States, it was doubtful from the outset whether Dr Kissinger's declaration was part of a clearly planned programme of diplomatic activity[3], and the passage of time now allows its motives to be assessed with more precision. One of them was certainly the wish to placate Washington's European allies at a time when the main thrust of American foreign policy continued to be towards intensified relations with other power centres in the allegedly pentapolar system, notably with the Soviet Union. A second motive seems to have been the hope of outplaying Senator Mansfield and other critics of the US military presence in Europe, as well as correcting America's apparently serious balance of payments deficit, by pressing Europe to pay a larger share of the cost of troop-stationing. A third consideration, which became clear only in the course of the negotiations following Dr Kissinger's proposal, was that the American Administration wished to play a certain role in the internal discussions of the enlarged European Community, in order to keep its policies oriented as far as possible in an 'Atlanticist' direction. Fourthly, there was a degree of US concern about the international evolution of Japan, in the period following the ending of the Vietnam war and America's rapprochement with China, and this found expression in Dr Kissinger's hopes of binding a potentially restive Japan into at least the fringes of a newly-consolidated partnership between the United States and Europe. And a fifth factor was certainly Watergate.

Europe's preoccupations

But if these and no doubt other reasons prompted Dr Kissinger to launch his 23 April appeal, Europe was singularly ill-prepared at that moment to respond to it. The Community of Nine was indeed prodigal in its assurances of 'dedication' to the settlement of problems between itself and the United States,[4] but it had many other calls on its attention, some of them of a most demanding kind. There was firstly the vast challenge faced by the European Commission—itself composed in part of newcomers—of assimilating the influx of staff provided by the new member states, some of which had fought most strenuously for the privilege of providing them: the spring and summer months of 1973 were in fact a period when the character of the Brussels machine was being transformed, inevitably amid a good deal of confusion, by the importation of new Eurocrats from Britain and elsewhere. On top of this, the Commission and its staff, and the governments of the member states, were in a

[3] See Ian Smart, 'The new Atlantic Charter', *The World Today*, June 1973, pp. 238–43.

[4] See Sir Christopher Soames, 'The EEC's External Relations', *The World Today*, May 1973, pp. 190–5.

:nse marking their own 'Year of Europe' by trying to do something ɔout the vastly ambitious agenda of Community policies to which they ad committed themselves at the Paris summit of October 1972. These ıcluded: the steps necessary to allow the transition to the second stage of conomic and Monetary Union by 1 January 1974, including the establishment by April 1973 of a European Monetary Co-operation Fund, an greed report by September on the adjustment of short-term financial ıpport, and a report by December on the conditions for the pooling of :serves; a closer co-ordination of national economic policies, notably gainst inflation; an agreed Community view on the reform of the inter-ational monetary system; the establishment by 31 December 1973 of a 'ommunity Regional Development Fund to correct 'the structural and :gional imbalances which might affect the realization of economic and ıonetary union'; the drawing up during 1973 of a programme of action in ɔcial affairs, including the involvement of labour and management in :onomic policy decisions, the development of a Community programme ɪr employment and vocational training, and the co-ordination of meas-res of consumer protection; a programme of action in the fields of ıdustry, science, and technology; Community policies on the environ-ıent and on energy;[5] the development of closer co-operation in the field : external relations, including those with the Community's associated ates and the Mediterranean countries, the Gatt negotiations and the onference on Security and Co-operation in Europe, and the intensifica-ɔn of 'political' co-operation through meetings of the nine foreign inisters and the so-called Davignon Committee; the reinforcement and nprovement of the Community's institutions and their modes of func-ɔning; and, finally, the transformation of the member states' relation-ıips into a 'European Union' by 1980, to which vaguely formulated end ıe Community institutions were to start work on a report for submission ı the next summit conference, scheduled for 1976.[6]

It will be seen that only small parts of this heavy European agenda for ɔ73 related at all readily to the concerns underlying Dr Kissinger's ɔpeal, and then only in ways which were subject to important qualifica-ɔns. Firstly, the member states of the Community were themselves :ry far from agreement on some of the main issues of transatlantic lations, including both monetary and commercial affairs; secondly, 'en if an agreed Community position on one or another of these issues ɔuld be hammered out, it was by no means certain that this would :cord with the views of the United States.

There was the further consideration that, during 1973, the major ɔvernments of Western Europe were preoccupied by a variety of con-

[5] The Paris Summit communiqué's section on energy policy—the shortest of e document's sixteen paragraphs—was unexpectedly to become the most topical 'elve months later.

[6] *The Times*, 23 October 1972.

cerns which were not even mentioned in the Paris communiqué of October 1972, being considered no business of the European Community. The British Government, at the same time as guiding the nation into the Community, was beset by the problems of inflation and of mounting violence in Northern Ireland; French policy became indecisive as President Pompidou's health declined and his would-be successors jockeyed for position; and in West Germany the Brandt–Scheel coalition, although re-elected triumphantly to office a month after the Paris summit, was plagued by inflation and labour unrest on a scale unprecedented in the Federal Republic, and by deadlock between the governing parties on many issues of economic and social policy. All the governments of Western Europe, moreover, had their attention focused on East–West as well as on West–West relations, as they moved to follow the lead in détente diplomacy set by the United States in 1972–3. The Federal Republic's *Ostpolitik*—itself a process which had kept pace with the détente diplomacy of the Nixon Administration—was to proceed in 1973 from the intra-German Basic Treaty, via the entry of both German states into the UN, to the establishment of diplomatic relations with Czechoslovakia. More generally, the governments of Western Europe had their minds not only on the Conference on Security and Co-operation but also on the negotiations on the mutual and balanced reduction of military forces which were to open in the autumn in Vienna.

The West Europeans' achievement in presenting an impressively united front at the varying incarnations of the CSCE in Helsinki and Geneva, and agreeing to let the Community as such represent their interests on matters falling within its area of responsibility, marked one of their few positive steps, during 1973, in the direction of a common foreign policy. The economic and political preoccupations of the main Community governments, just outlined, in fact produced deadlock in many of the areas of policy where the Paris summit had so airily accepted a commitment to unity. A particular difficulty, which had been only partly anticipated in 1972, was that many issues, which at first sight appeared to be matters of external policy for the Community, had an uncomfortable relationship to domestic interests within one or another member state. The liberalization of international trade, for instance, on which the Community was preparing to adopt a relatively liberal posture in the Gatt negotiations, as far as tariff levels were concerned, clearly faced serious difficulties as soon as non-tariff barriers were considered: these touched on central issues of the industrial policy of national governments, including government purchasing, which presented serious problems for the liberalization of trade not only with non-Community partners but even within the Community area of tariff-free trade itself. Again, on the related question of the linkage to be established between the trade and monetary talks, 1973 saw serious disagreements between France, whose

combination of large monetary reserves and a relatively low interest in extra-Community trade made her give priority to monetary over commercial issues, and the majority of her Community partners. Conversely, the Community's 'internal' difficulties—notably the persistent failure to agree on the next stages of economic and monetary union (including the regional fund) or on how the Common Agricultural Policy should evolve —had a direct bearing on the posture of the West European states towards the outside world.

Conflicting drafts for new Charter

All these factors were to leave their traces on the diplomatic history of the months following Dr Kissinger's proposal, as the discussion of drafts for the projected Charter got under way. An American draft was rejected in August by the nine European foreign ministers, one of whom described it as *imbuvable*,[7] and it was replaced in September by a European draft which the Americans in turn rejected. This European draft was in fact released to *The New York Times* which published it on 24 September, leaving the State Department in a condition described as 'residual rage' when the talks continued in October.[8] By mid-November, after a series of meetings in New York and Copenhagen, senior officials of the United States and the Nine had reached provisional agreement on a lengthy text which reaffirmed their interdependence and their determination to maintain close Atlantic co-operation in economic and other policies, including negotiations in Gatt and the IMF and the pursuit of détente with the East.[9] By this time, of course, the Middle East war had seriously damaged the atmosphere of European–American relations, with the Europeans scandalized by the world-wide American alert of 25 October of which they had no advance warning and Dr Kissinger reportedly 'disgusted' with America's Nato allies who had 'acted as though the alliance did not exist'.[10]

These events merely confirmed something which was already apparent, namely that President Nixon would certainly not be visiting Europe before the end of the year: it had been suggested for some time that the President might postpone his visit until the first half of 1974, not least because the Chairmanship of the EEC Council of Ministers would by then have passed from Denmark to America's more important ally, the Federal Republic. It was also clear by now that a single declaration of principles—one comprehensive Atlantic Charter covering everything from strategy to energy—would be hard to arrange. There would have to be two documents: one dealing with military affairs which the United

[7] *Le Monde*, 12 October 1973. [8] *The New York Times*, 4 October 1973.
[9] *Le Monde*, 16 November 1973. An intermediate draft, including the expressions 'partnership' and 'Atlantic community', which aroused objections from France, appeared in *The New York Times* on 9 November.
[10] *International Herald Tribune*, 1 and 2 November 1973.

States would solemnly sign with her allies in Nato, and another on economics and related matters which the same allies would sign in their capacity as members of the European Community. It was proposed that the two documents, to be formally signed when the President visited Europe, should be prefaced by a preamble so general that Japan could join in signing this section, thus fulfilling Dr Kissinger's hopes that she would be associated with the operation.

The Middle East crisis and its aftermath of transatlantic tension postponed all talk of solemn charter-signing ceremonies to an indefinite future, but its effects also included the galvanizing of the EEC member governments into the decision to hold a summit conference before the end of the year. It will be recalled that the Paris summit of 1972 was not due to be followed by another until 1976, but the combined pressure of Arabs and Americans made the European heads of state and government conclude that they should meet to take stock of the situation.

The Copenhagen summit

The texts which emanated from the Copenhagen summit of 14/15 December have many points of interest. Thus, one of them committed the Community to an energy policy very different from that which some of the member governments were apparently pursuing, and it is instructive in general to compare the chastened terms of the final communiqué with the grandiloquent lines of the Paris summit communiqué of 1972. But the document relevant to Dr Kissinger's Atlantic Charter proposal was the so-called 'paper on the European identity', approved by the Nine at an early stage in the conference. This document, which drew on the work done by European officials for the transatlantic exchanges of texts already mentioned, purported to define the essence of what the Community stood for. It included an assertion of the Community's wish to establish itself as a 'distinct and original entity' at the same time as preserving its 'mutually beneficial' ties with the United States, and it continued with a passage on defence questions which was the first collective statement by the Nine on these issues. Their declared view was that 'under the present circumstances, there is no alternative to the security provided by the nuclear weapons of the United States and by the presence of North American forces in Europe'.[11] This statement was significant not merely because of its explicit acceptance of the Atlantic basis of Europe's defence, but also because—like many references to security and diplomatic affairs running through both the 'European identity' declaration and the subsequent final communiqué of the summit conference—it indicated a new willingness by the Nine to break down the artificial distinctions between 'economics' and 'politics' which had so far bedevilled the external relations of the Community.

[11] *International Herald Tribune*, 15/16 December 1973.

It seems clear that, however strong the arguments against frequent summit meetings may be, and whatever the persisting differences of view between France and her partners about the kind of political secretariat which might work in parallel with the European Commission, 1974 will see much closer links between the political and economic aspects of European affairs. The nine governments whose heads assembled in Copenhagen, shaken by Arab and American pressures on top of all their other tribulations, are not likely to go on feeling that they can afford such luxuries as holding 'political consultation' meetings of nine foreign ministers in Copenhagen in the morning, then flying the whole assembly to Brussels to appear reincarnated as the Community's Council of Ministers in the afternoon, as they did on 23 July 1973.

Indeed, this notorious episode may be taken as a symbol of the profound ambiguity of the term 'Europe', which has run through the entire debate about the role that this part of the world is to play in the international system. Even if the nine-member European Community can in a legitimate sense be called 'Europe', there has been a persistent blurring of the distinction between the Community as such and the collectivity of its member states. Whereas the Nine have agreed to entrust to the Community the task of conducting some aspects of their external economic relations, they have insisted with varying degrees of stringency in keeping in their own hands the conduct of their 'political' foreign policy. This distinction between 'economics' and 'politics', or between 'low politics' and 'high politics', which underlay the French insistence on separate meetings in Copenhagen and Brussels, has of course proved impossible to uphold in practice. On the one hand the 'economic' issues entrusted to the Community have proved, as we have seen, to have ineluctible political implications, and on the other hand all the issues of 'foreign policy' on which it is worth while for European governments to engage in 'political consultation' have economic components where importance varies between the substantial and the overwhelming. This situation would point firmly towards a merger of the 'Community' and 'inter-governmental' aspects of Europe's external policies, even in the absence of the further consideration that the main 'strategic' concerns of the same governments, which they now pursue through Nato, the Eurogroup, and WEU, also have fundamental connections with the economic and political dimensions.[13] If the Paris summit commitment to transform the whole complex of member states' relations into a 'European Union' by 1980 means anything at all in the field of external relations, it must mean the breaking down of these artificial lines of demarcation.

Whether President Nixon comes to Europe early in 1974, and whether

[13] For a more extended discussion see the present author's *High Politics, Low Politics: Toward a Foreign Policy for Western Europe*. The Washington Papers, Vol. I, No. 11. (Beverly Hills and London: Sage Publications, 1973).

he there signs one, two, or three documents, is relatively unimportant—except that the Year of Europe, having belatedly started with an appeal for a Charter, might as well belatedly finish with its signature. What is much more important is that the component parts of the Community, after being shaken into a semblance of unity by the external pressures of late 1973, should maintain this impetus and go on towards further unity, rather than disintegrate under the strain. There were some disturbing signs towards the close of 1973 that the results of pressure might be disintegration after all: the assertion of national interests was well to the fore in European responses to the oil crisis, as well as in the conflict over the regional fund. However, the Copenhagen summit gave some grounds for hope that the relatively small differences separating the Community and the United States might be overcome, and that the Community itself would emerge from the current crisis consolidated rather than split asunder.[13] Walter Hallstein once said that without the Suez Crisis of 1956 the European Community would never have come into existence: future historians may perhaps record that events in the same part of the world seventeen years later imparted new dynamism into a European Community which had until then shown disturbing signs of disunity during a markedly ill-named 'Year of Europe'.

The two senses in which the year failed to live up to its appellation were in fact closely linked. The principal reason why the Europeans did not respond more satisfactorily to Dr Kissinger's appeal of April—the bid to give substance to the Year of Europe as a theme in the foreign policy of the United States—was that they were still far from agreed on many issues among themselves. When Dr Kissinger reiterated his appeal in his speech to the Pilgrims in London on 12 December, criticizing Europe for failure to consult and proposing joint action on the specific problem of energy,[14] the European response included the Copenhagen summit communiqué which, as we have noted, gave some signs of a European capacity to rise to the occasion.

[13] For a clear analysis of the nature of American–European economic disagreements, see Karl Kaiser, *Europe and the United States: the Future of the Relationship* (Washington, D.C.: Columbia Books, 1973). An optimistic assessment of the chances of overcoming them is given by John Pinder, 'America and Europe: a fair bargain in the coming negotiations?', *The World Today*, July 1973.

[14] *The Times*, 13 December 1973.

Yaoundé association and the enlarged European Community

KENNETH J. TWITCHETT

While the EEC seeks to reconcile existing links with the eighteen African states and future relations with the twenty Commonwealth associables, the hard bargaining ahead may strain the united front of Francophone and Anglophone Africans, who in turn could face resentment from the rest of the Third World.

A VOCIFEROUS body of opinion within the Third World tends to view the European Community as a white protectionist bloc with neo-colonialist interests regarding the less developed countries (LDCs). Even the worries and suspicions of moderate Third World opinion have been increased by the Community's enlargement, together with the consequent readjustment of economic relations between industrialized countries and current international monetary and energy upheavals. The Six became the largest and fastest-expanding market for the products of the LDCs as a whole. The expanded Community of Nine will almost certainly be of even greater significance to them, controlling as it does some 40 per cent of world trade. The LDCs themselves have subjected the Community to growing demands for help in tackling their twin problems of poverty and underdevelopment.

The Community's most important contribution towards assisting the LDCs so far has been via the type of association agreed in the Yaoundé Conventions of 1963 and 1969 which originally linked the new Europe with eighteen African states.[1] As a direct result of British membership of the Community some twenty developing Commonwealth countries in Africa, the Caribbean, and the Pacific are now regarded as *associable*.[2]

[1] The Eighteen are: Burundi, Cameroun, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta, and Zaire. Of the African colonies of the Six which achieved independence in the early 1960s, only Guinea declined to participate in the Yaoundé regime.

[2] The twenty associables are: Barbados, Botswana, Fiji, Gambia, Ghana, Guyana, Jamaica, Kenya, Lesotho, Malawi, Mauritius, Nigeria, Samoa, Sierra Leone, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Uganda, and Zambia.

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The current Yaoundé Convention and accompanying arrangements with LDCs expire on 31 January 1975. Preliminary talks between the Community and the Thirty-eight were held at Brussels in July 1973, and formal ministerial talks for renewing the Yaoundé regime and for determining future Community relations with the associables began there on 17 October. Negotiations started in earnest during the second half of November, with the European Commission representing the Nine. This article attempts to place the negotiations in perspective by briefly sketching the main features of Yaoundé-style association and the position of the Commonwealth associables, looking at the underlying problems in reconciling the Eighteen and the Twenty, and outlining the enlarged Community's major proposals to date regarding the future of the association regime.

The Yaoundé regime and the Commonwealth associables

The colonial legacies inherited by the Community of Six were recognized in Part IV of the Rome Treaty, Article 131 of which stated that the Community had an obligation 'to promote the economic and social development of the [associated] countries and territories and to establish close economic relations between them and the Community as a whole'. The Rome Treaty regime remains operative for the colonies of Community members,[3] but following the emancipation of most of Europe's African dependencies in the early 1960s this obligation was further translated into the first Yaoundé Convention. A second Yaoundé Convention was concluded in 1969.

The Yaoundé Conventions were multilateral agreements between the Six and eighteen successor states to the Belgian, French, and Italian colonies in Africa. Both Conventions recognized the sovereign equality of the associates and were based on the legal parity of the Community members as a group and the Eighteen as a group. There are provisions for rights of establishment and an institutional framework—a Council of Association assisted by an Association Committee, a Parliamentary Conference, and a Court of Arbitration. The associates receive financial assistance from the European Development Fund (EDF) and loans from the European Investment Bank (EIB) to further their development. Under the second Yaoundé Convention, the Eighteen were allocated $828 m. from the EDF ($748 m. as grants, $80 m. as soft loans), and $90 m. as normal loans from the EIB.[4]

[3] The following dependencies of the Six remain associated under Part IV and participate in the European Development Fund: Surinam, Netherlands Antilles, French Polynesia, New Caledonia, Wallis and Futuna, the Comores Islands, French Territory of the Afors and the Issas, Saint Pierre-and-Miquelon, and the French Southern and Antarctic Territories. The four French overseas departments—Guiana, Martinique, Guadeloupe, and Réunion—also receive EDF aid.

[4] The remaining Rome Treaty associates received $72 m. ($62 m. as grants, $10 m. as soft loans) from the EDF, and $10 m. in loans from the EIB.

ı essential feature of all the Community's existing association ar-
ːments is that they are based on free-trade-area principles involving
ː degree of reciprocity between the Community and its associates.
ɔugh the Community members receive varying levels of non-dis-
inatory preferences under the Yaoundé regime, the Eighteen benefit
safeguards permitting them to maintain or reintroduce tariffs and/or
as for furthering their economic development, protecting infant
stries, or increasing tax revenue. A protocol attached to Yaoundé II,
over, states that free trade arrangements with the Community
ld not interfere with the Eighteen's participation in global tariff
rence schemes or in African trade groupings. During the period
-71 the Community's imports from the Eighteen rose from $914 m.
,638 m. per annum and its exports to them from $712 m. to $1,401 m.
itish membership of the Community precipitated the need to extend
'aoundé regime. Protocol 22 annexed to the British Act of Accession
ıined an offer by the enlarged Community to the members of the
monwealth regarded as associables to consider three types of ar-
ːment with the Nine: association within the Yaoundé framework;
iation under Article 238 of the Rome Treaty;[8] or non-preferential
agreements. To the disappointment of some associables, especially
ria, at the July Brussels talks the Danish Chairman of the Council of
sters, Ivor Noergaard, emphasized that the negotiations between
:ommunity and the Thirty-eight must be conducted on the basis of
ɔffer. During the membership negotiations the Six agreed that all
in's remaining dependencies, except for Hong Kong and Gibraltar,
d become associated under Part IV of the Rome Treaty. Britain
led to the Community position that the developing countries of Asia
not eligible for association, although they could benefit from limited
agreements with the Community. The restricted nature of the
iation relationship itself can be seen from the fact that if all the
monwealth associables accepted the Community's offer, association
d still only embrace a small minority of about one-eighth of the
d World's population. The association framework might, however,
tended beyond the Thirty-eight to embrace all the African LDCs;
ıpia, Liberia, and the Sudan also sent representatives to the July
talks in Brussels, where they were joined by Guinea at the October
ɔn.

isting trade arrangements between Britain and the Commonwealth
iables will remain in operation only until the current Yaoundé Con-
on expires. Three associables, Kenya, Tanzania, and Uganda, have

nder Article 238, the Community may 'conclude with a third country, a
of States, or an international organization agreements embodying reciprocal
and obligations, joint actions and appropriate forms of procedure'. To date,
:h agreements with non-European countries have excluded technical and
ial assistance.

already negotiated an association agreement under Article 238 running concurrently with the Yaoundé Convention; this is the Arusha Convention, which since January 1971 has provided for a relationship similar to the Yaoundé one except that no provision has been made for technical and financial assistance. In 1966 Nigeria also negotiated an association agreement under Article 238 which never entered into force. Mauritius actually signed the Yaoundé Convention and has been associated since 1 June 1973. She is now eligible for financial and technical assistance from the Community—the funds available to the EDF having been increased from $900 m. to $905 m. to take account of her association.

Reconciling the Eighteen and the Twenty

In many ways the basic and most important problems to be faced in reconciling the interests of the Yaoundé associates and the Commonwealth associables are underlying general ones of language, diplomatic style, understanding, and relations with the former colonial metropoles. Most Yaoundé associates are ex-French colonies in close relations with France, many of their leaders having an intimate knowledge of French culture and institutions. Although the real and sentimental ties of France *outre mer* are perhaps slowly eroding, France still takes a close interest in the affairs of her ex-African colonies and French officials, governmental and Community alike, give them what might be termed paternalistic support both within and outside the Community framework. For instance, when in March 1973 the World Bank withdrew from financing the Trans-Gabon Railway, Jacques Ferrandi, the Corsican head of the EDF, immediately put great energy into attempts to find international finance for the scheme—the EDF itself being able to contribute some $10 m. of the $200 m. or so required.*

The British colonial style of separate development in Africa has not left the same cultural heritage and sympathy as the French one of assimilation. France benefits from her image as a comparatively racially tolerant colonial ruler, whereas Britain, perhaps unfairly, has received much public criticism from the African Commonwealth for not ending Rhodesia's unilateral independence and for her various ties with South Africa. In fact, there is a distinct difference of diplomatic style in the relations of the ex-French and the ex-British African colonies with their former metropoles. While the ex-French ones tend to give France quiet support in such international forums as the United Nations, members of the African Commonwealth have been amongst Britain's severest critics and usually express their demands more openly and vehemently than Francophone Africa.

On the question of the possible implications for African sovereignty

* For further details, see 'What every Briton should know about Mr Bongo' by John Lambert, *The Sunday Times*, 13 May 1973.

and solidarity of ties with the Community, there is a significant difference of attitude between Francophone and Anglophone Africa. Although their arlier emotional fears have been somewhat diminished, some of the ;ommonwealth Africans are still suspicious of close links with Western ;urope and prone to view Yaoundé-type association as a collective neo-olonial tie. The ex-French African colonies, along with France, how-ver, were the keenest advocates of renewing the first Yaoundé Conven-ion. Even such notable anti-colonialists as Mali and Congo (Brazzaville) ave not foregone the benefits of association because of possible European ncroachment on their freedom of action. They declined to support the arious Commonwealth African allegations of neo-colonialism in such nternational forums as UNCTAD. In fact, rather than indicating im-roper Community influence, the evidence would suggest that the 'aoundé regime has weakened bilateral ties between Belgium, France, nd Italy and their respective ex-colonies by introducing European nterests other than those of the ex-metropole. The European Commis-ion itself firmly believes that association in no way limits the associates' overeignty:

> The conclusion with the Community of an agreement on co-operation entails for the Community's partners no limitation on their sovereignty, either internal or external, nor on their freedom or choice of objectives or means for their development policy. *To become an associate does not mean joining the Community; it means organizing on an equal footing with the Community a shared framework of economic and development co-operation.*[7]

If a sizeable number of the Commonwealth associables opt for institu-onal ties with the Community, however, this might be detrimental to he ethos of the association relationship. There are linguistic problems rising from the introduction of English as a second working language nd others caused by bringing into the council chamber additional par-cipants with different traditions and attitudes. Whereas the Franco-hone Africans have a long-established acquaintance with the Com-nunity and a desire to utilize the association framework, the Common-'ealth associables lack this familiarity and could seek compensation nrough stronger, more public, expression of their interests.

The Francophone and Anglophone Africans have attempted to reach greement on a common approach to relations with the European Com-nunity since the summer of 1972. There was not much success until the Aay 1973 conference at Abidjan of African economic ministers, organ-zed under the auspices of the Organization for African Unity, the United

[7] See Commission of the European Communities, *Memorandum of the Com-ission to the Council on future relations between the Community, the present AASM ates and the countries in Africa, the Caribbean, the Indian and Pacific Oceans 'ferred to in Protocol No. 22 to the Act of Accession*, Document No. COM(73) 00/fin, Luxembourg, 4 April 1973, p. 4.

Nations Economic Commission for Africa, and the African Development Bank. Later that month the OAU Heads of State meeting at Addis Ababa agreed on an eight-point programme on relations with the enlarged Eurpean Community.[8] Another meeting of economic ministers at Lagos in July established an OAU secretariat to co-ordinate the African position with the existing Arusha and Yaoundé secretariats. A particularly hopeful symbol of the attempt to bridge the gap between Francophone and Anglophone Africa was the selection of Wenike Briggs of Nigeria to act as the spokesman for all African delegates at the Brussels talks of July 1973; he was succeeded in this role in October by Zaire's Foreign Trade Minister, Mr Namwizi.

Although there have been disagreements outside the council chamber, the Africans preserved this new-found unity at the Brussels talks and at ministerial discussions in Dar es Salaam at the beginning of October. At the Dar es Salaam discussions, to which the Caribbean and Pacific associables sent observers, they concentrated on devising procedural mechanisms for the forthcoming negotiations with the Community rather than settling the political issues dividing them. They set up a Council of Ministers to undertake the actual negotiations, a committee of ambassadors and officials to deal with the more technical points, and agreed to hold further ministerial discussions at Brussels on 15 October to complete their common negotiating position. The negotiations with the Community will take some twelve months to complete and whether the African united front can survive the hard bargaining with the Europeans remains to be seen.

In fact, a continuous repetition of the brand of outspokeness Wenike Briggs demonstrated at Brussels might aggravate their differences. The original Eighteen as a group are unlikely to welcome developments prejudicial to their existing advantages. While they may benefit from the opening of the British market to their products, their present favourable treatment in the Europe of the Six will be challenged by competition from Commonwealth Africa. Forceful African diplomacy within the institutions of association might also increase European questioning of the value of the association relationship. Not only is France probably not so keen a proponent of association as when the first and second Yaoundé Conventions were negotiated, but Britain is also unlikely to favour attempts to turn the institutions of association into smaller-scale United Nations-type platforms for African moralizing and criticism of the former colonial masters.

[8] The programme covered such subjects as rights of establishment, rules of origin, movement of payments and capital, free and assured access to Community markets for all African products (including both processed and semi-processed goods) and what were termed 'stable, equitable and remunerative prices', dissociation of Community aid from any form of relationship with the Community, and the controversial 'principle of non-reciprocity in trade and tariff concessions given by the EEC'.

Indeed, a possible consequence of the present international oil crisis, nd the gloomy economic position generally, could be that the Nine will ecome less willing to countenance increased trade concessions or aid) the countries of the Third World. Oil-rich Nigeria is now in a much :ronger bargaining position, but the vast majority of the Thirty-eight re not. A decrease in European aid and trade concessions combined with general sharp rise in energy and other prices could well be disastrous for opes of better living standards. A glimmer of hope is that the Secretary-ieneral of OPEC, Dr A. L. Khene, has stated (according to *The Times* of 1 December) that the oil-exporting countries feel they have a duty to pay pecial attention to the problems of the Third World.

'he enlarged Community and association

At the Paris summit conference of October 1972 between the Nine, it 'as underlined that the enlarged Community would attach importance) maintaining and developing the existing association policy regarding ,DCs. In accordance with the understandings reached and the provisions f Protocol 22, the Commission in April 1973 submitted a memorandum) the Council of Ministers outlining proposals for renewing and extend-ıg the Yaoundé framework for another five-year period. Its basic pre-ıise was that association could not only be enlarged but enriched and rengthened to form a new framework for economic and development)-operation between the Nine and developing countries. To date the [ine have not finally decided on these proposals which covered four main ·eas: the institutions of association; financial and technical co-operation; 'ade arrangements; and a price-stabilization scheme for primary pro-ucts. A subsequent proposal of July 1973 regarding a new common ıgar policy must also be seen as part of the suggested association pack-ge.

(*a*) *The Institutions of association.* The Commission memorandum did ot suggest any new institutional innovations as such, but rather put ırward proposals for revitalizing and increasing the associates' role in ıe existing set-up. Two proposals in particular should be noted. The ıemorandum suggested that African regional groupings might take part ı the work of the Association Council and Committee, pointing out a :ecedent in the Arusha Convention's provision for the participation of 'presentatives of the East African Community. The likelihood of more ›n-African states entering the Yaoundé framework underlay a second ·oposal to establish 'complementary regional institutions' for the Afri-ın, Caribbean, and Pacific associates within the overall institutional :xus. Some Commonwealth associables have expressed a desire for a ommunity link, but without some of the institutional paraphernalia—.e joint Parliamentary Committee being sometimes quoted. Claude heysson, the new French Commissioner in charge of development aid,

however, when indicating the Commission's willingness to consider suggestions, intimated that the Community might not be able to go very far in meeting them.[9]

(*b*) *Financial and technical co-operation*. The Commission's proposals were essentially based on the Yaoundé regime. An increased role for the associates in the work of the EDF was advocated, together with priority treatment for the least developed ones. Both the memorandum and M. Cheysson have emphasized that the volume of aid extended to the existing Yaoundé associates must be safeguarded, and new associates from the developing Commonwealth treated on an equal footing—M. Cheysson suggesting that the $1,000 m. currently available be increased to at least $2,000 m.[10] The memorandum also argued that the Community could contribute to greater regional co-operation between the associates through facilitating the undertaking of multinational operations and stimulating the construction of firms of regional dimensions. The necessary finance should come from a special section of the EDF, appropriations being outside those made on a country-by-country basis. To ensure the continuity of all Community aid, the memorandum urged that EDF contributions become part of the regular Community budget.

(*c*) *Trade arrangements*. The memorandum proposed maintaining the free-trade-area system on which association has always rested—the keystone being the principle of reciprocity. The Community offers duty-free access to most of the associates' exports and in return requires reciprocal duty-free access to the associates' markets. This inevitably raises the question of so-called reverse preferences. These are in fact *not* a feature of association and exist only at the level of popular myth and emotional prejudice. Free trade implies the mutual abolition of customs duties and other restrictions to the movements of goods between the contracting parties, whereas reverse preferences are much more specific. They feature mainly in bilateral trading relations, usually regarding named commodities, and may imply only a small reduction in duties, not their abolition. The Community, moreover, does not want exclusive preferential treatment in the markets of the associates and there is no reason why they should not extend duty-free access to countries outside the association relationship.

The Commission supported retention of the free trade system with four major arguments. First, it was desirable for political reasons—a free trade area establishes a coherent relationship between the parties, but still leaves them free to conduct autonomous trading policies towards third countries. Secondly, the Community was the main customer and supplier to the associates and associables. Since foreign trade patterns are

[9] See 'Aid for Africa—and elsewhere', an interview with Claude Cheysson in *European Community*, July/August 1973, p. 13.
[10] See *The Times*, 31 July 1973.

ınlikely to change very much in the next decade or so, it is in the latter's nterest to promote the elimination of trade barriers with their main :ommercial partners. Thirdly, the Commission argued that this would be ›articularly so as the Thirty-eight seek to industrialize and to find markets 'or processed and manufactured goods. Fourthly, it reiterated the tradiional defence of free trade areas and customs unions as the only pernissible departures from the international trading regime established by ℑATT. Within the Community, the Commission's arguments appeal nost to France and have been somewhat obliquely contested by Britain ınd West Germany. To date the Nine have been unable to reconcile their lifferences on this basic question, but must do so before meaningful ıegotiations can take place with the Thirty-eight. It is significant, how:ver, that the Nine did not insist on free-trade-area arrangements when hey agreed on a mandate for negotiations with Spain, Israel, Algeria, Tunisia, and Morocco.

The Africans, led by Nigeria, declared their opposition to reciprocal rading concessions at both the Lagos and Brussels meetings of July 1973. Some of the Francophone Africans, however, objected to Wenike Briggs' statement that the eventual agreement did not require 'reciprocal reatment' as they 'still accepted the principle of contractual reciprocity.'[11] During the earlier negotiations for Yaoundé II the Francophone Africans ought to retain the free-trade-area principle as a symbol of their equality vith the Six. In fact, although some of the existing associates are likely to ·ontinue to support the Nigerian line, a hard core of the Francophone tates led by Senegal would prefer the status quo. They reject the Anglo›hone African argument that the principle of reciprocity implies sub›rdination to Europe, and instead believe that it should be included in ıny new association agreement 'if Africa is to maintain its self-respect as ın equal partner with the Community'.[12] This point was recently publicly ·mphasized by two prominent Francophone Africans. During their visits o Brussels in September both Muhammad Diawara, the Ivory Coast Minister of Planning, and President Hamani Diori of Niger maintained hat the principle must be incorporated into any new Yaoundé Con'ention.

The objections of the United States to maintaining the free-trade-area ırrangements [13] in part lie behind the strong objections of the Caribbean ıssociables to the notion of reciprocal tariff reductions. S. S. Ramphal, the Guyana Foreign Minister, expressed their opposition most forcefully at

[11] See 'Europe and the Third World' by Kaye Whiteman, *European Community*, September 1973, p. 5.

[12] See 'Africans agree united approach to EEC' by David Cross, *The Times*, October 1973.

[13] The United States apparently believes that the free-trade-area arrangements of association prejudice both American commercial interests and international ree trade.

the Brussels talks, his views being echoed by the Pacific associables:

> We reject entirely the notion that the price of duty-free entry into the Community for the main products of developing states with whom... arrangements are concluded should be the reciprocation of trade benefits. Reciprocity between those who are unequal in economic strength is a contradiction in economic terms.[14]

(*d*) *Primary product price stabilization.* A novel feature of the memorandum was a suggestion for a compensatory financing scheme designed to increase the stability of the associates' income from the export of primary products. Similar schemes were rejected during the negotiations for the first and second Yaoundé Conventions. Currently the prospects are more promising since worldwide commodity agreements have not worked very well and traditional-type aid programmes have been called into question. The need to insulate the exports of the associates from the sometimes violent fluctuations of world commodity prices can be seen from the example of copper—its price having moved from about $1,800 per ton in 1970 to around $1,000 in 1972 and to over $2,000 in 1973.

The price stabilization system would be financed by the Community in addition to the resources provided in the new EDF, and in the first instance would cover eight primary products: bananas, cocoa, coffee, copper, cotton, groundnuts, groundnut oil, and sugar. A reference price for a specific quota of each commodity produced by each country would be fixed, based on the average of world prices over the previous five years. The Community would make up the difference if there were a fall between the actual value of the export and the reference prices—the credit normally being repayable if and when receipts exceeded the reference price. The Commission hopes that this system will guarantee a minimum income to the producers and enable them to increase productivity and, where necessary, diversify production. A criticism of the scheme is that it would primarily assist the more wealthy associates and do relatively little to help the poorer ones:

> The countries most likely to be affected by price fluctuations are relatively well off—Ghana, Ivory Coast, Senegal, Zambia, and Zaire. The least well off of the African states are in fact in no position to benefit much. The major exports of Chad and Congo (Brazzaville) are in cattle and timber; and neither of these are subject to fluctuations. Yet the two countries are among the poorest in Africa.[15]

(*e*) *The proposed new common sugar policy.* Although sugar featured in the price stabilization scheme, the Commission suggested in July a revised sugar policy within the general framework of the common agricultural policy, providing for more specific commitments regarding Com-

[14] See *The Times*, 27 July 1973.
[15] See 'Africans unite over approach to the Community' by Patrick Gilkes, *The Times*, 25 July 1973.

munity imports of sugar from LDCs. Broadly, it was proposed that the Community should apply for export quotas of 800,000 tons of sugar annually under the new International Sugar Agreement (ISA), and agree to absorb 1,400,000 tons annually from the developing Commonwealth at guaranteed prices.[16] This would constitute a substitute for the Commonwealth Sugar Agreement, due to expire at the end of 1974, and honour the moral commitment to provide special treatment to Commonwealth sugar producers contained in Protocol 22. The Commission believes that imports of this magnitude would involve a significant cut-back in the Community sugar beet industry—an estimated reduction of some 8 per cent. While almost certain to cause considerable opposition from the vociferous sugar beet lobby within the Nine, positive action along the lines suggested by the Commission would do much to demonstrate the Community's serious intention to assist the LDCs.

France's Community partners were apparently prepared to consider the Commission proposals seriously, but the initial French reaction was unfavourably explosive. A cut-back in European sugar beet production would affect France most; in anticipation of British membership French beet farmers were said to be expanding their acreage in the hope of displacing Commonwealth countries as Britain's main supplier.[17] In fact, France's anxiety to protect her own national interest groups has been largely responsible for the failure of the Nine so far to participate as a Community in the discussions for the new ISA at Geneva, although they have stated their desire to be a party to this agreement. At the time of writing the Council of Ministers has still to reach a decision on the Commission proposals, but in the meantime Britain has won the right to subsidize imports of Commonwealth sugar on a temporary basis, despite the fact that such subsidies contravene the Rome Treaty.

Notwithstanding the French attitude, the Commission's proposals and the Community's willingness to acquiesce so far in the British subsidies should together encourage the Caribbean and Pacific associables to view the Community with less suspicion. In general, the Commonwealth sugar producers have maintained considerable solidarity in their approaches to the Nine. They regard the figure of 1,400,000 tons per annum as the minimum the Community must import if their economies are not to suffer. The actual level of the proposed guaranteed price has yet to be revealed—a figure which could well be a very important factor influencing the negotiations between the Nine and the sugar producers. These negotiations are technically outside the pending association negotiations since they embrace non-associables such as India. But countries with an

[16] The existing 1968 ISA, to which the Community is not a signatory, expired at the end of 1973. To date a new one has not been negotiated.

[17] See 'Writing a new chapter to sugar's bitter history' by Melvyn Westlake, *The Times*, 13 September 1973.

overwhelming dependence on sugar like Fiji, Barbados, and Jamaica must seek satisfaction on the issue before they can judge the desirability of association with the Community.

Some conclusions

It appears probable that a new association agreement resembling the Yaoundé Convention will be concluded between the Nine and most, if not all, the Thirty-eight sometime during the summer of 1974. So far the two most probable innovations are likely to be the inclusion of some form of compensatory payments to stabilize markets in some primary products, and at least a symbolic waiving of the principle of reciprocity in trade relations between the Community and its associates. While useful to the LDCs concerned, the new association is unlikely to embrace more than some 10 per cent of the aid budgets of the Nine, with much of the developing world receiving no Community assistance as such. The Community global development policy called for at the October 1972 summit conference of the Nine has still not emerged. Special treatment for the Thirty-eight, moreover, could well aggravate the growing splits and divisions within the Third World, thereby further undermining the unity they showed at the third UNCTAD, held in Santiago during 1972.[18]

British disquiet at the restricted nature of the Community's existing association regime was recently underlined in the report of an all-party House of Commons Select Committee. This emphasized that association should not be regarded as an end in itself, but rather as a transitional stage in the progress towards a Community global development policy. Britain should have a positive role in steering the Community towards a more global approach:

> In the wider context of promoting development, the Committee sees a danger that the EEC may direct its energies towards the reduction of poverty in a limited number of countries, rather than in the Third World as a whole. There is a clear role for Britain in preventing this. Britain has a special responsibility for safeguarding the interests of Commonwealth Asia, which are in particular jeopardy as a result of UK entry into the EEC. But the Committee also hopes that the UK will play its part in promoting Community trade and aid policies which will assist not only Britain's traditional partners but all developing countries, according to their needs.[19]

While global arrangements to help LDCs are perhaps preferable in the

[18] For a fuller discussion of the danger which special assistance poses for Third World unity, see 'Third World: special aid threatens unity' by Vanya Walker-Leigh, *The Times*, 24 September 1973.

[19] See Report from the Select Committee on Overseas Development, Session 1972–73, *The United Kingdom's Entry into Europe and Economic Relations with Developing Countries*, Volume I, London: HMSO, published 5 September 1973, pp. xxx.

ɔng run, the existing regional effort of the Community should not be ndervalued. M. Cheysson in fact has hinted at a means for 'globalizing' ne association system:

> If the Nine were joined by the other industrialized countries, all developing countries could enjoy the benefits at present reserved for the Community associates. Without the Americans, the Community cannot make the same effort at the world level. Community aid is helping in its modest way to stimulate development for relatively few millions of people in Africa; add to that population the hundreds of millions in other developing continents and the task becomes too big for Europe alone.[20]

Even if the Community's long-term proposals are welcomed by the 'hirty-eight at the negotiating table, they are unlikely to be enthusiastic egarding its response to the catastrophic drought and famine currently fflicting the Sahel. Chad, Mali, Mauritania, Niger, Senegal, and the Jpper Volta are all affected and all are associated with the Community. 'his should provide the Nine with a unique opportunity to demonstrate heir commitment to help those LDCs most closely linked to them. While ome emergency assistance has been provided by the individual member overnments, especially France, the Community as such has done relaıvely little to alleviate the associated peoples' suffering.

The Nine as a group have supplied some food aid—mainly milk and our—but the Community manifestly lacks the capacity to act on any ignificant scale in such a disaster situation. The Yaoundé Conventions quipped the EDF with a small disaster fund of about $5 m., yet no rovisions were made for meeting major emergencies. The EDF has a espectable record in the longer-term areas of water prospecting, well rilling, and irrigation schemes. Immediate action is essential, however, the existence of some six million people living in the south Sahara is not ɔ be threatened. Niger, the worst hit of the countries of the Sahel, could ɔse about three-quarters of its livestock—its single most important ource of income and food. The limited nature of the Community's esponse so far[21] is a major indictment of the association relationship. Vhile perhaps of great value in the long run, its usefulness is quesionable if it cannot help in conditions of dire need. In their negotiations he Nine and the Thirty-eight need to work out meaningful procedures ɔr quick and effective Community aid to any Third World country faced vith natural or economic catastrophe.

[20] 'Aid for Africa—and elsewhere', *op. cit.*

[21] Up to September, the Community had supplied some 180,000 tons of food id to the Sahel. For further details see 'What the Community is doing about the ahel' by Claude Cheysson, *Association News*, No. 21, September–October 1973, p. 2–5.

Finland, Comecon, and the EEC

F. SINGLETON

Finland has been trying to find a modus vivendi with the new Europe, and in the process Finlandization is changing its meaning.

FINLAND was the last Efta country[1] to sign a treaty regulating her trade with the EEC. In July 1972, faced with the prospect that her second most important trading partner, Britain, was about to join the Common Market, she initialled a free trade agreement with the EEC which was intended to safeguard essential Finnish commercial interests. The agreement was finally ratified by the Eduskunta (Parliament) on 16 November 1973.

The treaty with Finland differs from those with the other Efta countries in that it is strictly limited to the lowering of trade barriers and does not have an 'evolutionary clause'. It excludes 'both membership in the Community and any form of association or any commitment that might eventually lead to membership'.[2] The Finns have the right to abrogate the treaty at three months' notice, a much shorter period than in the case of the others. There are also specific arrangements to safeguard Finnish paper and forest-industry exports to EEC countries and especially to Britain, with a transitional period of up to eleven years, but agricultural produce is not included. There has been a sympathetic recognition by the EEC negotiators of certain problems unique to Finland, both political and commercial, because of her special relationship with the USSR. For example, the quantitative restriction on oil-fuel imports, which was part of the Finefta agreement, is retained under the new arrangement with the EEC, because of Finland's trade agreement with the USSR. Above all, Finnish neutrality is understood and respected.

Whilst the EEC negotiations were in progress in 1971, talks also began in Moscow, with a view to Finland becoming the first non-socialist country to sign a treaty with the Council for Mutual Economic Assistance (Comecon). These talks were interrupted during the winter of 1971–2

[1] Finland was never a full member of Efta. In 1961 a free trade area known as Finefta came into being which enabled Finland to be associated with the seven Efta members.

[2] Statement by Mr Uusivirta at the conference on 'Scandinavia, Britain and the European Community', Copenhagen, 3 May 1973.

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because of a change of government but were resumed by the Paasio administration in the spring of 1972. An agreement was signed on 16 May 1973 and ratified by the President the following June. It provided for a joint commission, consisting of representatives of the nine Comecon full members and Yugoslavia, to work out the details of economic, scientific, and technological co-operation with the Finns and for their participation in several of the specialist commissions. Unlike the arrangements between Yugoslavia and Comecon, the agreement confers no membership rights on Finland. For some time before it was signed, trade delegations were exchanged with most of the Comecon countries, and several bilateral trade agreements were concluded. The most important are with the USSR. One of these involves a joint Finnish–Soviet project for the development of the iron mining centre at Kostamus (Kostomuksha) in Soviet Karelia in co-operation with the iron and steel manufacturing centre at Rautaruuki near Raahe on the Finnish coast of the Gulf of Bothnia. The construction of the new town of Kostamus will provide jobs for 3,000 Finnish workers from the economically depressed regions of the North-east, and the completed scheme will produce over one million tons of iron pellets as raw material for the rapidly expanding Finnish iron and steel industry. Under another scheme Finland will provide the technical knowledge and 700 workers for the development of a modern wood-processing plant at Paajarvi in Soviet Karelia.

Relationship with the USSR

The reason why Finland's attempt to come to terms with the new European economic realities has been so controversial can only be understood in the context of her special relationship with the Soviet Union and of the delicate balance of her internal political forces.

Throughout the post-war period relations with the Soviet Union have not been a matter of public controversy between the Finnish political parties. The Paasikivi-Kekkonen line, the cornerstone of Finland's foreign policy after the Second World War, seemed the only realistic one to be followed by a nation of under five million inhabitants which shares a 700-mile common frontier with the 250 millions of the Soviet giant. Finland has painfully discovered during her fifty-six years of independence that the best way to preserve her freedom is to face the facts of political geography. Engels' dictum 'Freedom is the recognition of necessity' is well understood by most Finns, and especially by President Kekkonen. But the lesson has been learned through bitter experience. Between November 1939, when the Winter War with the Soviet Union began, and April 1945, when Finnish troops mopped up the last German units in Lapland, Finland (then a nation of under four millions) lost 86,000 dead and had to cope with over 60,000 disabled soldiers and 400,000 homeless refugees. The psychological impact of their traumatic

experiences forced Finns to rethink their attitude. In pre-war days hatred and contempt for the Russians, the 'hereditary enemy' (*perivihollinen*) was prevalent. There was also a deeply held conviction that Finland represented a bulwark of Christendom against the godless barbarians to the east. Many Finns cherished the illusions of President Ryti when he declared that 'Finland's only salvation was that Germany should smash the Soviet Union'.[3] One who did not share these attitudes was J. K. Paasikivi, who became Prime Minister in 1944 and President in 1946. He had even advocated friendship and co-operation with Tsarist Russia, as a necessity for Finland, and he maintained this position despite the Bolshevik revolution. Russia's government might have changed, but Finland's geographical position had not.

There were, of course, limits beyond which the Finns were not prepared to go in facing the demands of their neighbours, but the limits must be seen in the light of the circumstances of the time. Flexibility, patience, and an underlying bedrock of toughness were the bases of the Paasikivi method. One important result of the new attitude was the willingness in 1948 to sign a Treaty of Friendship, Co-operation and Mutual Assistance (the YYA Treaty) with the USSR. Originally intended to last for ten years, it has since been extended to 1990.

Paasikivi's successor, Urho Kekkonen, has followed a similar line,[4] with equal benefit to Finland—and, some might cynically add, to his own political career. On two occasions since he first became President in 1956, his handling of a crisis in Russo-Finnish relations has led to an extension of his period in office. In 1961 he flew to Novosibirsk to discuss with Mr Khrushchev an alleged Nato threat to the security of the Baltic: there was at the time a major crisis in East–West relations over the erection of the Berlin Wall. Under the terms of the YYA Treaty, the two countries must consult about the joint measures to be taken if either of them feels in danger 'of armed aggression on the part of West Germany and states allied with it'. Kekkonen managed to calm Khrushchev's fears, and returned home to announce that he would use his prerogative to bring forward the date of the 1962 presidential election by five months. He claimed that this was to remove uncertainties about the direction of Finnish policy. It seemed as if Khrushchev had accepted Kekkonen's statement a year earlier: 'Whoever is for Kekkonen is for friendship with the Soviet Union and whoever is against Kekkonen is against friendship with the Soviet Union'.[5] In February 1962, the Finnish electorate did

[3] Quoted in Paasikivi's memoirs, *Toimintani Moskovassa ja Suomessa 1939–41* (Porvoo: WSOY, 1959), Vol. 2, pp. 208–9.

[4] Ironically, Kekkonen was one of three Agrarian Party MPs who voted against the Peace of Moscow negotiated by Paasikivi at the end of the Winter War in 1940.

[5] Quoted by Max Jakobson from a speech made by Kekkonen to an all-party group of Finnish MPs in November 1960. Max Jakobson, *Finnish neutrality* (London: H. Evelyn, 1968), p. 77.

vhat was expected of them by returning Kekkonen with an overwhelming najority. The crisis was over.

Ten years later a storm blew up over an article published in the Swedish newspaper, *Dagens Nyheter*, which revealed confidential material con- cerning the President's discussions with Mr Brezhnev about the EEC reaty. These were held in August during a visit to the Soviet leader's lacha at Zavidovo. In December, Kekkonen announced that the obvious etrayal of trust by some of his senior advisers made his position as head of state 'questionable'. He felt that he had lost the confidence of the Soviet Union, and could no longer function usefully as President of Finland. By January 1973 he had been persuaded to stay on for another four years after the expiry of his current term in 1974, and the Edu- kunta duly passed the required constitutional amendment to make this possible without an election.

Different problems of Efta and EEC membership

During the seventeen years of Kekkonen's presidency Finland has preserved her independence and has become a showplace of the benefits of peaceful co-existence. One such benefit came as a result of the treaty, signed on 27 March 1961, by which Finland became associated with Efta. When Efta came into existence in 1959, Finland faced the possibility of either drifting into economic decline if she remained outside the new association, or of disrupting her relations with the USSR by joining. The Efta countries were reluctant to accept the implications of the 1947 Finnish–Soviet trade pact, which included a 'most favoured nation' clause. Under the terms of this agreement the USSR expected that any benefits which Finland might gain from Efta membership should be passed on to her.

Kekkonen's diplomacy managed to convince both Soviet and Efta leaders that they should recognize Finland's special position as a neutral country. Khrushchev's conversion was announced with characteristic panache, when he attended the President's 60th birthday party in September 1960 and ended his visit by offering a most welcome birthday gift in the form of a communique, expressing his 'understanding of Fin- land's desire to maintain her capacity to compete in Western markets' and his agreement 'to discuss . . . ways and means of developing Finnish– Soviet trade in the event that Finland should conclude a separate com- mercial agreement with Efta'. Special arrangements were made under the Finefta agreement enabling Finland to enjoy the benefits of free trade with her Western trading partners, whilst at the same time retaining her special relationship with the Soviet Union.

The enlargement of the EEC in 1973 has posed a problem for Finland similar to that which arose when Efta first came into being. Britain is still Finland's chief customer, taking 20 per cent of her exports—more than

the total for all Comecon countries and almost as much as the original six EEC countries. The EEC problem is not, however, as simple as that raised by Efta. There are two important differences between 1973 and 1961. Firstly, the EEC is more than a free trade area, and the implications for Finnish neutrality and for Finnish–Soviet relations of an association with the European Community are far more serious than was the case with Efta. Secondly, the political situation in Finland is much more volatile than it was ten or fifteen years ago. Full EEC membership is clearly unacceptable both to the Soviet Union and to most Finns. However, faced with the fact of the enlarged EEC, the Soviet leaders have dropped their implacable hostility, and are even prepared to consider some form of relationship between EEC and Comecon, in the context of a European détente. The question has really resolved itself into the search for a form of association which will safeguard Finnish commercial interests without implying any change in foreign policy, and especially in Finland's relations with the USSR.

The Finnish Government believes it has found such a solution. The motion to the Eduskunta on 16 October 1973, asking for ratification of the agreement, stated that

> the agreement concluded with the EEC in no form binds Finland politically, and that Finland will in the future, too, continue to observe the Paasikivi-Kekkonen line in her foreign policy... the customs agreement will in no way affect Finland's earlier international obligations. In this connection the Government places special emphasis on the YYA Treaty [the Finnish–Soviet Treaty of Friendship, Co-operation and Mutual Assistance], in which Finland agreed not to participate in any alliance directed against the Soviet Union.
>
> . . . The Government holds the view that if the application of the EEC agreement causes damage to Finnish–Soviet co-operation so that co-operation does not develop in the way laid down in the Finnish–Soviet agreements, Finland will use her right to give three months' notice to cancel the agreement.
>
> The Government states that the concessions made by Finland to the EEC countries will also be granted immediately to the Soviet Union for any parts not covered by the customs agreement between the two countries...[6]

Divided Finnish Communists

There seems little doubt that the terms on which the Finnish Government has agreed to enter into a limited association with the EEC have been thoroughly discussed with the Soviet leaders. It is also apparent that the Finns have succeeded in convincing them that the EEC agreements

[6] BBC Monitoring Service, Summary of World Broadcasts, Part II, 18 October 1973, AI/1.

epresent the minimum concessions essential to the maintenance of 'inland's trading position. This has not prevented the Finnish Commu-ist party from attacking the agreements as a threat to good Finnish–ioviet relations. An article in the party organ *Kansan Uutiset* warned Finnish bourgeois circles' not to assume Soviet approval because the EC link had not been expressly forbidden. This would imply that Fin-ınd's independence is not respected by the USSR. The Soviet leaders ave made their doubts clear, but 'Finland as an independent country nakes its own decisions and is also responsible for them'. A report on 1 October, on the eve of the ratification debate, declared that a Finnish Communist delegation which visited the USSR for talks with the CPSU eached complete agreement on the need to defeat the reactionary forces which supported the EEC agreement. It urged an 'unrelenting struggle' y the People's Democrats and the Communists to ensure that 'the agree-nent with the EEC . . . shall not be ratified'. The Finnish Left is bitterly ivided on many issues, but over the EEC question there has been unity n the general policy if not on the tactics to be followed. The Communist arty is unique in containing two publicly opposed factions, airing their ifferences in articles both in the official party paper *Kansan Uutiset* and n sectarian news sheets. In 1969, after the Soviet intervention in Czecho-lovakia, there was an open split, when the minority group, led by Mr 'aisto Sinisalo, which supported the Soviet point of view, virtually eceded from the party and formed a 'parallel organization'. The two alves were later brought together in an uneasy reconciliation, under the ersuasion of their Soviet comrades. The Sinisalo group regard the 'evisionist' leaders, Aarne Saarinen, the party Chairman, and Arvo ıalto, the Secretary-General, as enemies of 'those Communists who ame out for the CPSU and the Soviet Union and against the attacks of he bourgeoisie'. The Sinisalo supporters incline to a somewhat funda-nentalist approach to Marxism, and tend to support current Soviet olicies in a manner reminiscent of the British and French parties in the arly 1950s. The Saarinen group are more flexible, and are willing to ompromise their Leninist principles by entering into alliances with non-'ommunist groups. They have also been known to criticize the Soviet Jnion. In 1966 two of them entered the coalition Government headed by he Social Democrat, Rafael Paasio, which included representatives of he non-socialist Centre and Liberal parties.

The position on the left is further complicated by the existence of an lectoral organization known as the People's Democratic League SKDL), under which the Communists have operated since 1944 in lliance with some left-wing Socialists. They now form the second largest arliamentary group, with 37 members to the Social Democrats' 55. ince 1965, when Ele Alenius became its chairman, SKDL has been nuch more than a Communist front organization. Under his leadership

it has begun to develop an independent left-Socialist line, and the divisions within their party have made it more difficult for the Communists to dictate policy. The reactions of the various left groups to the EEC treaty show subtle differences of emphasis. All have expressed opposition, but the Sinisalo group were militantly opposed to ratification, whilst the Saarinen group and the SKDL appeared to be reluctantly resigned to it.[7] In his statement on behalf of SKDL, Mr Alenius echoed some of the views of President Kekkonen. He emphasized two points: firstly, the agreement must not injure Finnish–Soviet relations; secondly, economic powers must be taken to give the state greater control over the economy.

These are precisely the points made by President Kekkonen when, on 3 October, he gave authority for the Government to sign the agreement. On the subject of the control measures he said:

> I have made my decision conscious of the fact that the effects of the agreement are not entirely favourable. For this reason there are good grounds for giving the government better methods than those offered by present legislation to regulate the effects of foreign trade... In my view the customs agreement now at hand speeds up those measures of state control which are necessary to keep the influence of supranational enterprises in check in our economic life.

Earlier in the year there had been a concerted effort by the SKDL and by some members of the Social Democratic Party to make ratification of the EEC agreement conditional upon the passage of a series of economic control measures. In June 1972, the Social Democratic Party Congress voted to make the passing of the economic legislation a formal condition of the party's acceptance of the EEC link. The right-wing parties,[8] which supported the EEC treaty, were strongly opposed to any legislation which would increase state control over the economy. They threatened to vote against the whole package if the EEC issue was linked to the economic legislation. SKDL MPs also threatened to vote against the package deal, although for the opposite reason. The parliamentary forces were so balanced that it seemed probable that, whether the issues were separated or not, the required five-sixths majority[9] would not be forthcoming in either case. The Social Democratic Prime Minister, Kalevi Sorsa, who heads a coalition government in which his chief allies are the Centre Party,[10] hinted that if there were to be an impasse he would have no alternative but to resign and to call on the President to order a general

[7] In the vote on ratification the 36 SKDL votes were the only ones cast against the agreement; there were 141 votes in favour.

[8] The Conservative Party has 34 seats.

[9] This majority was necessary because some of the changes involved amendments to the Constitution.

[10] The government coalition includes representatives of the Social Democrats, with 55 seats in the Eduskunta; the Centre Party (formerly the Agrarian Party, of which President Kekkonen was leader), with 35 seats; the Swedish Party, with 10 seats; and the Liberals, with 7 seats.

ection. He ignored pressure from his own party, as well as from the KDL, and insisted on separating the two issues at least as far as the ırliamentary voting was concerned. The President's declaration of in-nt regarding the economic measures, made at the time of the submission the EEC agreement for ratification, is, however, a concession to left-ing opinion.

inlandization

A feature of the political controversies of recent years is that discussion Finland's relations both with the Soviet Union and with the West has een much more open than hitherto. In a more fluid international situa-on, in which the sharp divisions of the Cold War have become blurred, ie room for manœuvre available to small countries like Finland has con-derably increased. Neutral Finland, as host to the SALT talks, has had first-hand opportunity to observe the process of détente at work, but the plications of the new situation for her have not been fully explored. his may explain the overheated state of Finnish political life in 1973, ith parties of both left and right displaying an amoeba-like tendency to lit apart, occasionally reforming under new names.

In a recent attack on Chancellor Brandt's *Ostpolitik*, Franz-Josef rauss accused him of submitting Germany to a process of 'Finlandiza-on'. His use of the term came at a time when the Finns were beginning re-interpret their own version of it. Strauss implied that Brandt was liberately muffling criticism of the ugly face of Bolshevism in a dis-nest attempt to sell the *Ostpolitik* to the German people, and that this sture was similar to the one which geopolitics had forced on the Finns. study of recent speeches and writings in Finland gives the impression at the Finns are losing some of their inhibitions in this connection. For ample, the Tampere Institute for Peace and Conflict Research recently iblished a study of Finnish–Soviet relations between 1948 and 1968. It alyses the forms of Soviet pressure on Finland, which have included stile press comment in *Pravda*, followed by the temporary recall of the viet Ambassador and the interruption of trade and cultural agreements. hese pressures were usually related to world tensions—e.g. the Berlin isis of 1961—which had little to do with Finnish internal affairs. In that isis, right-wing Finnish press criticism of the Soviet Union was muted d oblique. In the 1970s it has been more outspoken, and Finnish papers ve even made direct replies to critical articles in *Pravda*. For example, article in *Pravda* on 30 October attacked legislation before the Edu-unta which would alter the rules governing electoral pacts. It argued at the legislation 'is aimed at strengthening state control over the politi-l views of citizens and the activities of parties', and alleged that it was rt of a 'mounting anti-Communist and anti-democratic campaign in nland'. The Tampere conservative morning paper, *Aamulehti*, made a

sharp reply, attacking *Pravda* for its one-sided information and implying that its motives in publishing it were suspect.

Ten years ago such direct polemics between Finnish and Soviet papers would have been most unlikely. Now that the EEC agreement has been ratified, Finns hope that the controversy will shift to the internal problems of the economy. The Sinisalo group of Communists appear determined, however, to keep the question of Finnish–Soviet relations well to the front, and there are groups on the far right, including the Rural Party (SMP) faction led by Veikko Vennamo, who also appear to be willing to rock the boat on this issue. The solid majority in the middle still adhere to the Paasikivi-Kekkonen line, but the EEC debate opened up divisive issues in Finnish political life which had lain dormant for over twenty years. Whether or not there will be new political alignments arising from this situation depends partly on the progress of European détente and, in particular, as so often happens in Finland, on the attitude of the Soviet Union.

Finland's Foreign Trade

Percentage of trade with main trading partners and groups

	1970		1971		1972		*Jan.–Sept.* 1973	
	Exports	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*	*Exports*	*Imports*
Comecon	15·8	16·1	14·2	18·1	15·7	15·4	13·7	15·0
of which USSR	11·9	12·4	10·6	13·9	12·3	11·6	11·1	11·6
Efta	44·5	44·2	46·9	45·1	45·1	44·7	22·6	27·9
of which United Kingdom	17·7	15·7	19·3	15·4	18·4	13·9	—	—
Sweden	15·9	17·4	16·3	18·1	17·7	19·0	14·9	19·0
EEC	23·3	27·8	22·4	27·1	21·3	29·0	47·6	44·9
of which W. Germany	10·6	17·0	10·4	16·8	10·3	18·0	10·9	18·7
UK	—	—	—	—	—	—	19·9	11·4

Source: Bank of Finland Monthly Bulletin

Hungarian intellectuals under pressure

EORGE SCHÖPFLIN

Ideological concessions to the neo-Stalinist wing of the Hungarian Communist party have disturbed the atmosphere of confidence between the party and the intellectuals and have raised fears that freedom of expression is to be further restricted.

[HE last two years have seen a steady narrowing of the limits of intel-
ectual discussion permitted in Hungary. Although in many ways
Iungary remains among the least illiberal of the Warsaw Pact states and
he situation there is in no way comparable to that of the Soviet Union,
he atmosphere in the intellectual community has swung from relative
ptimism to marked pessimism. Both external and internal factors have
layed a role in the imposition of restrictions, and the dynamic of
Iungarian politics suggests that Janos Kadar's leadership is less strongly
ntrenched than was generally thought in the 1960s.

The first phase of the new trend can be traced back to 1971–2, when
he New Economic Mechanism (NEM), the liberalizing economic
eform of 1968, resulted in overheating and inflation. The decision to
npose certain restrictions probably encouraged a substantial section
vithin the Hungarian Socialist Workers' Party (HSWP), mainly those
vho had never genuinely accepted Kadar's policies, to put pressure on the
eadership in order to eliminate certain cultural and ideological manifes-
ations in Hungarian society which they regarded as incompatible with
socialism'. This stratum in the HSWP is thought to be influential in the
rovincial party organizations and at the middle level of the trade unions.
ome of these party functionaries are old-fashioned Stalinists, who have
one little to modernize their thinking since the 1950s and who have seen
heir power positions threatened by liberalization. They have been
pined by a second group, individuals who are genuinely upset by the
rowing income differentiation generated by the NEM and find it
ntolerable that in a supposed dictatorship of the proletariat the indus-
rial workers are increasingly less well off vis-à-vis the managerial elite,
ven though real wages have been rising steadily in Hungary.

Kadar's policies also came in for criticism from some of Hungary's
Varsaw Pact allies, notably Czechoslovakia, East Germany, and the

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tudies; editor of *The Soviet Union and Eastern Europe* (London: Anthony
lond, 1970).

Soviet Union. During 1972, several newspaper articles appearing in these countries were covertly critical of 'the growth of petit bourgeois phenomena' and urged the Kadar leadership to eliminate them. Disagreement with the Soviet Union about the future of Soviet raw material deliveries similarly helped to muddy the situation. The final result of this set of pressures on Kadar and his immediate supporters was a compromise, which was endorsed by the Central Committee plenary session of 14/15 November 1972. The report of the plenum admitted the existence of a petit bourgeois outlook in Hungary, as well as of right-wing and ultra-leftist ideas. It was resolved to halt the spread of anti-Marxist views, of 'intellectual rubbish' and imitations of decadent Western works, particularly those 'jeopardising the interest of the people'.

This resolution was further expounded at a meeting of cultural workers addressed by the Central Committee Secretary in charge of cultural policy, Gyorgy Aczel, in January 1973. Aczel made it clear that the HSWP considered intellectual work as part of the struggle between socialism and capitalism and saw this struggle intensifying in the current period. He insisted that in the intellectual life of socialist states, Marxism enjoyed not just a monopoly but a hegemony and, by implication, that this Marxism was of the brand chosen by the party. Consequently, it was the duty of the intelligentsia to challenge all unacceptable views, whether nationalist, or 'marxist pluralist', or New Left; the leading role of the party in culture must be stronger, socialist values had to be propagated, and works hostile to socialism prevented from appearing.[1]

In addition to these local Hungarian constraints, certain outside factors also came to affect the country's intellectual life in 1973. The most significant of these was the network of 'ideological co-operation agreements' signed by various Warsaw Pact states. Although the terms of these agreements were not made public, it was assumed that they provided for the right of one party to protest at ideological developments of which it disapproved in others. The need for stricter ideological discipline was also spelled out at the Crimean summit of Warsaw Pact party leaders.[2] Evidently, the Soviet Union was apprehensive that the climate of détente in Europe might lead to an ultimately uncontrollable loosening up in Eastern Europe and was determined to prevent a recurrence of any process even remotely resembling the Prague Spring.

Measures against Hegedus group

In Hungary, the tightening claimed several victims; foremost amongst them was the group of sociologists and philosophers associated with Andras Hegedus, who were expelled from the HSWP or dismissed from their jobs.[3] The general charge against the Hegedus group, which sees

[1] *Partelet*, March 1973. [2] *Pravda*, 1 August 1973.

[3] The resolution on the expulsions, affecting Andras Hegedus, Janos Kis and

tself as a single philosophical trend, was that their writings showed a nixture of right-revisionist and New Leftist views incompatible with genuine' Marxism-Leninism; that they denied the existence of the proetariat as a class; that they questioned the socialist character and ichievements of the socialist states; and that they preached a Marxist oluralism. Their main crime was, in fact, two-fold:[4] they had showed solidarity as a group, which was officially regarded as tantamount to actionalism; and, more important, they had pointed in their writings to certain grave and fundamental shortcomings in the socialist system as it currently operates in Hungary. Hegedus, for example, argued that socialist states in Eastern Europe fell into two broad categories—the 'state administrative' model and the model of societies following the road already mapped out by capitalism. Under the state administrative model, which, presumably, includes the Soviet Union and East Germany, ill social and productive relations were determined by bureaucratic oower, and this power was exercised predominantly in the interests of hat bureaucracy. By contrast, the second category (presumably including Hungary and Yugoslavia) was leading socialism towards a state where elations were governed by market forces and resulting in 'consumerism'. The crux of Hegedus's thesis was that the return to market conditions in Hungary was a false turning. It could neither create conditions of genuine democracy in the true socialist spirit, nor even lead towards economic efficiency, for which capitalism proper was better suited.

Hegedus, who believes that the true mission of socialism is to democratize human relations and even to 'civilize' them,[5] argued that in pracice, the result of the NEM had been to intensify social stratification by olacing greater emphasis on income differentiation. Moreover, the groups hat were losing out as a result of this process were the industrial workers, whose position had declined relatively, while that of the managerial elite had improved. In the meantime, Hungary was all set to repeat the misakes of capitalist-type production in the pursuit of growth. Understandably the HSWP leadership concluded that Hegedus had overstepped the limits of the ideologically acceptable by questioning the fundamental principles of the Communist order in Hungary. Coupled with pressure from some of Hungary's allies in the Warsaw Pact,[6] the

Mihaly Vajda, was adopted by the Secretariat of the Central Committee on 14 May 1973 and published in *Partelet*, June 1973. The other members of the group, who are not party members, were Maria Markus, Gyorgy Markus, Agnes Heller, and Gyorgy Bence.

[4] Hegedus's ideas are detailed in George Schöpflin, 'Sociology with a Human Face', *The Times Higher Education Supplement*, 7 September 1973.

[5] Andras Hegedus and Maria Markus, 'The Role of Values in the Long-Range Planning of Distribution and Consumption', in (ed.) Paul Halmos, *The Sociological Review Monograph: Hungarian Sociological Studies* (University of Keele, 1972), p. 39.

[6] It was noteworthy that a version of Aczel's speech to the meeting of cultural

Hegedus group had to be silenced. But it enjoyed sufficient prestige both at home and abroad to make the authorities chary of resorting to severe repression. Show trials on the Czechoslovak model would only have resulted in serious unrest among Hungarian intellectuals, including those, probably a majority, who in no way sympathized with the 'leftist' views put forward by the group. Evidently, this inhibition did not exist with respect to the poet Miklos Haraszti, a well-known left-radical activist who was arrested on 22 May 1973 on charges of 'incitement'.

The Haraszti Affair

Haraszti had become embroiled with the authorities already in 1966, when he organized a Vietnam Solidarity Committee at his university; this Committee was later declared illegal and dissolved, and a year later he was expelled from the university. Readmitted in 1968, he was expelled again in 1970 after sparking off a minor furore by the publication of his ironical poem against bureaucratic conformism, 'Che's Errors',[7] and placed under police surveillance. Having challenged this order against him on the argument that the police should not be interfering in questions of ideology, he was arrested and then went on hunger strike. It was only after the intervention of various intellectuals, including the late Georg Lukacs, that the Ministry of the Interior agreed to release him from prison and police surveillance. Later in the same year, Haraszti took up employment at the 'Red Star' Tractor Factory in Budapest, as a machinist,[8] and in 1972, the Magveto publishing house commissioned him to write an account of his experiences there. The manuscript for this book, *Darabber* (Piece-work), was submitted towards the end of the year, but in March 1973 he was informed that it could not be published. Haraszti then distributed a total of sixteen typed copies to various sociologists for their comments and the journal *Szociologia*, published by the Hungarian Academy of Sciences, agreed to print part of it as a document on working conditions, particularly on the role played by trade unions in the enterprise where he had worked.

Darabber has yet to reach the West, but there is general agreement amongst those who have read it that it is an extremely sophisticated piece of reporting. It is said to be an exact, intimate, and wholly convincing account of the dehumanizing effect of piece-rate work, where the individual is pitted against a machine in an attempt to maximize his income, a process which gradually destroys his human dignity. Although Haraszti apparently avoids the word, he conjures up a devastating

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workers in January was published in the bulletin of the Hungarian Embassy in East Berlin. *Bulletin der Botschaft der Ungarischen Volksrepublik in der D.D.R.*, Vol. III, No. 4, 26 April 1973.

[7] *Uj Iras*, December 1969; 'Che's Errors' was strongly attacked in *Nepszabadsag*, 10 January 1970.

[8] *Wiener Tagebuch*, October 1973.

picture of the alienation that obtained at the 'Red Star' enterprise.

The questions posed in *Darabber*, and its wider implications for Hungarian society and the kind of industrial democracy that it nurtures, were clearly found so disturbing by the authorities that they concluded that drastic measures were necessary. Not only was Haraszti arrested, but the respected sociologist, Gyorgy Konrad (one of those to whom Haraszti had submitted his manuscript for comments) was interrogated by the police for three days and had his house searched. Eventually he was let off with a warning. The editor of *Szociologia*, Ivan Szelenyi, who had agreed to print an extract, was dismissed from his post. Haraszti himself, though released on 7 June 1973, was charged with 'qualified' incitement which carries a two- to eight-year prison sentence. The basis of the charge was that he had distributed his manuscript and that it had been hostile to the institutions of the socialist order, notably the trade unions.

The entire affair aroused a widespread reaction among the Hungarian intelligentsia, including those who in no way sympathized with Haraszti's left-radical views. His trial was the first occasion since 1958 that anyone in Hungary was threatened with legal action for an expression of opinion, and his case was generally regarded as a test of the authorities' intentions towards intellectual freedom. The regime, for its part, was in a difficult situation. The pressure to do something about Haraszti must have been considerable, particularly as his criticism of the condition of the industrial proletariat, from Marxist positions, undoubtedly touched on a raw nerve. At the same time, the extent of the support that Haraszti attracted both at home and abroad probably surprised the authorities—his trial, which opened on 26 September, was handled rather hesitantly. It was adjourned after one day's proceedings, on the barely plausible ground that the trial judge's gall bladder was giving her trouble, and then reopened on 15 October. The hearing was well attended, both by members of the intellectual establishment and of the left-radical youth; the second phase was observed also by two representatives of the Italian Writers' Union.[*]

Haraszti rejected the essence of the charge against him, that he had distributed a work of hostile intent. He argued that the manuscript of *Darabber* had been accepted for publication by *Szociologia* and was, therefore, read quite legally by those who had seen it. He also rejected the accusation of hostile intent, claiming that the book contained constructive criticism and, furthermore, that it did not differ in content from other articles which had already appeared in print in Hungary, equally critical of the phenomena he described. A whole row of distinguished witnesses, who had all been summoned by the prosecution, gave evidence in his favour, including Hegedus, Konrad, and Szelenyi. Hegedus said, for example, that the book was constructive and moderate and that far more critical opinions on the disadvantages of the piece-rate system had

[*] *L'Unità*, 16 and 17 October 1973.

appeared elsewhere. Szelenyi added that the manuscript had little in it that was new from the scientific point of view—the phenomena described in it had been regularly treated in other sociological publications; but for all that it was a useful contribution 'of a literary-sociographical type'.

After a second day of proceedings on 16 October, no more was heard of the matter until 10 January 1974, when the Hungarian media announced that Haraszti had been found guilty of incitement and given a suspended sentence of eight months. This was a light sentence in the circumstances, suggesting that the authorities were more than sensitive to the reverberations of the affair both at home and abroad.[10] It is a fair presumption that Haraszti's manuscript will not see the light of day—all copies of it are now believed to be with the authorities—but equally he is unlikely to be subjected to further harassment on this score. The entire affair bears the hallmark of the cautious and compromising approach that the Kadar régime adopts towards dissident intellectuals.

Wider Targets

Whilst the criticism levelled by the Hegedus group and by Haraszti only implicitly applied to Hungary's allies in the Warsaw Pact, the case of Jozsef Lengyel has expressly revolved around the problem of 'socialist construction' in the Soviet Union. Lengyel is a well known literary-political figure, who suffered imprisonment in the Soviet labour camps in Stalin's time and led the process of intellectual de-Stalinization in Hungary in the early 1960s.[11] In the late 1960s he wrote *Szembesites* (Confrontation), which explored the cost of Stalinism in human terms, argued that it could not be justified, and called for a full disclosure of the truth. The book specifically rejected the infallibility (and thus the leading role as conventionally interpreted) of the Communist party and insisted that genuine Communism could not exist where a

> narrow ruling caste sitting at the top, sure of itself, entrenched in office in the style of a feudal-patriarchal governing group, more reactionary than even the bourgeois upper class, [held power].[12]

Although *Confrontation* is set in 1948, the problems it describes are patently relevant to contemporary Hungary, as well as to the Soviet Union.

In attacking the entrenchment of bureaucratic power as the principal obstacle to the establishment of a genuine socialist democracy, Lengyel adopted a position that took him close to that of the Hegedus group,

[10] The announcement of Haraszti's sentence by MTI and the Hungarian newspapers was the first mention of the affair in any Hungarian source. See also *The Guardian*, 11 January, and *The Times*, 12 January 1974. An unofficial account of what happened at Haraszti's trial in October is to be found in *Index*, Vol. 3 (1974), No. 1, pp. 79–88.

[11] For details, see George Schöpflin, 'Confrontation in Budapest', *Index*, Vol. 2 (1973), No. 2, pp. 65–70.

[12] Jozsef Lengyel, *Confrontation* (London: Peter Owen, 1973), p. 66.

whilst his criticism of the Soviet Union—as distinct from criticism of Hungarian conditions—made his writings immensely sensitive. At the same time, even while the Hungarian authorities were aware of the (impending) publication of *Confrontation* in the West, Lengyel has not been molested. Indeed, he has published a number of important works in the last eighteen months. But there is no chance whatever that *Confrontation* could be put on sale in Hungary at the moment.

These three cases—Hegedus, Haraszti, Lengyel—can all be broadly classified as raising criticism of Hungarian policies from the left. Clearly the challenge from the left is seen by the authorities as more serious than any criticism of a more traditional kind. None the less, there is sensitivity on the latter front as well. A victim of it has been Gyorgy Moldova's short story 'Hitler in Hungary', which was published last year, only to be withdrawn from the bookshops after a short time.[13]

Moldova's case is significant because until now he occupied a position of a kind of licensed satirist. An enormously prolific writer, he was apparently free hitherto to tilt at a whole range of abuses in Hungary and he did so with aplomb. 'Hitler in Hungary' seems to have gone too far, however. The story concerns a putative visit to Hungary by Adolf Hitler in the 1970s and, among other adventures, he witnesses a brief revolution in which the fascists return to power:

> The burning of books is the first big firework display in every political turning point, a spectacle of which the masses cannot be deprived. . . [But] leave the novels out of it. They unmask the past system, show the drunken, corrupt leaders, the abuses, the arbitrariness so successfully that we [the fascists] could not do it better ourselves. In order to be able to use these works, all that has to be done is to tear out the last 5–10 pages, the so-called 'red tail', where the author unsays or insists on the contrary of what his book is about.[14]

These and similar comments on the hypocrisies of the existing system, coupled with Moldova's trenchant criticism of the typical petit bourgeois mentality of the middle-level cadres, were apparently enough to induce the authorities to ban his story. It is arguable that two or three years ago it would have been tolerated, especially as Moldova does not attempt to question any of the fundamental principles of the socialist order, but merely points to a number of its abuses and absurdities.[15]

[13] Gyorgy Moldova, 'Hitler Magyarorszagon', in *Titkos Zaradek* (Secret Codicil) (Budapest: Magveto, 1973), p. 15.

[14] *ibid.*, pp. 116, 117.

[15] The nervousness that characterizes Hungary at the moment is also suggested by the case of a man in Tolna county, Transdanubia, who has been sentenced to 8 months in prison for having written to a friend in the West and, allegedly, libelled socialism and the people's democratic states, whilst exalting "German superiority"'. The letter never actually reached the West—it was discovered by the censor—but the accused was found guilty of attempted incitement because, if the letter had been delivered, its contents 'could have been readily exploited by agents of hostile propaganda'. *Tolna megyei Nepujsag*, 28 September 1973.

The Communist parties of Western Europe and the EEC

NEIL McINNES

At their summit in Brussels at the end of January the West European Communist leaders discussed, among other things, their attitude towards the Common Market. This article, based on a recent talk given at Chatham House, examines the widely held assumption of their change of heart on this issue.

ONE of the spectres currently haunting Europe arises from the legend that the Soviet Union, after long hostility to the Common Market, has lately agreed to recognize, accept, or even co-operate with it; and that accordingly orders have gone out to the Western Communists to work within the European institutions, as a loyal opposition, so as to build eventually in partnership with the Socialist parties a supranational socialist state. This legend has a precise origin: in the left wings of the Socialist parties of West Germany and France.

The facts are more complex. The Soviet Union continued Tsarist opposition to any form of unification to her west, first of Poland, then of Germany, later of West Europe. Thus she opposed the Council of Europe, the Coal and Steel Pool, and the European Defence Community. The French Communists, in collaboration with the Gaullists, succeeded in scuttling the last-named in 1954. That success emboldened the Soviet Union in her opposition to the nascent Common Market. In diplomatic notes, Moscow warned the six governments not to sign the Rome Treaty in March 1957, and when they did so none the less, a campaign of Cold War virulence was begun. The '17 Theses' put out from Moscow in 1957[1] described the Common Market as the desperate last throw of declining monopoly capitalism, doomed to failure. However, it was not this hopeless economic design that was of concern to the Russians so much as the military, political sense of the union: it was a wing of Nato and an anti-Soviet machination.

When the EEC survived and got into its second transitional phase in 1962, and when Britain changed her mind and applied for admission, the

[1] Institute for World Economics and International Relations, *De la Création du Marché commun et de l'Euratom* (Moscow, 1957).

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SSR admitted that the Market could have a solid *economic* content and as not simply an anti-Soviet political design. In September 1962 [oscow put out '32 Theses'[1] which took a moderate, neutral line and ven pointed to similarities in the economic rationale of the Common [arket and Comecon. Soon after, Krushchev said that the EEC was an conomic reality' and suggested that it come to terms with Comecon.

It is worth drawing attention to an assumption that persists in all Comunist thinking about the Common Market. If the latter is based on 'an ojective economic process' such as the internationalization of producon, then it is an economic reality which need not stop at the Oder-Neisse ne but would tend to embrace all Europe. If, however, it does stop at the on Curtain, that proves that it is not an 'economic reality' but a 'subjecve' design, namely, Western political unification directed against the oviet Union.

The crisis in the Common Market that began in January 1963 when ritain failed to gain admission and which culminated in the deadlock ver a common farm policy in 1964-5 led the Soviet Union back to her arlier stand. The impossibility of capitalist co-operation had been demonstrated. The Market was not based on any inevitable process of internationalization of production, and thus was not an economic reality. Therefore it had to be a political device (part of the Western superstructure), an anti-Soviet scheme. Indeed, *Pravda* specified in 1965 that was the camouflage for German militarism. Cold War attacks on it ontinued throughout the 1960s and the USSR preferred to deal with overnments which represented both political power and material, conomic substance—notably governments hostile to European unificaon such as de Gaulle's.

Brezhnev's attitude

When Britain joined the EEC and it seemed to gain a new impetus at he start of this decade, the Russians changed their minds again—but in a erfectly consistent, logical way. The Market was once again an economic henomenon. In March 1972 Mr Brezhnev said as much and suggested a eal with Comecon. It is this utterance of Mr Brezhnev's that is held to nark a new Soviet attitude. It cannot be stressed too strongly that Mr Brezhnev said nothing in 1972 that Krushchev had not said in 1962. There s strictly no progression, no further concession. Moreover, there were actical reasons why Mr Brezhnev should say something of the sort when e did. He wanted to get the Bonn-Moscow treaty ratified and the Helsnki meeting on European security convoked; recognition of the Common Market had been made a condition of both by the Bonn opposiion. Further, Moscow wants to have a say in the new world trade and monetary dispensation that is evolving, and, as the Americans have found,

[1] The same, *Concerning Imperialist 'Integration' in West Europe* (Moscow, 1962).

to participate in those negotiations one must take cognizance of the Nine in so far as they assert themselves as a unity. But all of that is quite compatible with the long-standing and still extant Soviet opposition to the Common Market as 'a closed economic block'[3] (an economic reality that stops where politicians and generals tell it to stop) and, even more violently, to the Market as the basis of any sort of political or military unification.[4] The change from the days of the Cold War is that the Soviets concede that the Common Market is not basically politico-military, but makes economic sense—in which case they at once add that it cannot stop short of the Urals.

Turning to the Western Communist parties, they once were unanimous in taking the Soviet line but today they strike different, yet harmonious, chords. In the 1950s they attacked the Coal and Steel Pool and the Common Market as anti-national, anti-worker, anti-Soviet, and as a necessarily unsuccessful effort to reconcile capitalist contradictions that could do nothing but organize poverty and unemployment.[5] And in April 1959 the six parties of the Community met in Rome to call for the non-implementation of the Rome Treaty.[6]

The parties' current stand

For most West European Communist parties that is still the party line. Even some of the parties of the original Six have not changed their minds one whit. The Dutch party (CPN), for example, sees the Common Market, in 1973 as in 1958, as the embodiment of West German militarism, the twin of Nato, a stage toward military integration and the ruination of Dutch industries. The enlargement of the Community is interpreted simply as the conquest of Britain by West German imperialism. For the Dutch Communists, it is 'revisionism' to seek to infiltrate the European institutions in order to 'democratize' them; it is 'social-democrat reformism' to try to build a united socialist West Europe; but it would be 'dogmatism' to insist on Holland walking out of the union now. Instead, the Common Market is to be resisted at the national level, by refusing all supranational curtailment of Dutch sovereignty and by rejecting all Community rules injurious to Dutch interests. The ultimate aim is 'the liberation of Holland from all blocks'.[7] Similarly, the West Ger-

[3] Soviet Premier Kosygin made such an attack the month after Mr Brezhnev's 'favourable' speech and similar criticisms continued throughout 1972. Cf. 'Kritik der Prawda an der EWG', *Neue Zürcher Zeitung*, 27 August 1972.

[4] See Alain Jacob in *Le Monde*, 18 October 1972.

[5] See 'Le "non" du Parti communiste à l'union de l'Europe' in *Est et Ouest* No. 487, April 1972, and Frédéric Bon and others, *Le Communisme en France* (Paris, 1969), pp. 117–25.

[6] 'Déclaration commune des représentants des partis communistes des six pays de la CECA et du Marché commun', *Cahiers du Communisme*, April 1959.

[7] *24ste Congres van de Communistische Partij van Nederland* (Amsterdam, 1972), pp. 15–16 and 78–80; 'Over de politieke toestand en de taken van deze tijd', *Politiek en Cultuur*, No. 3, 1973, p. 142.

man and Luxembourg parties still oppose the 'Europe of the trusts'.

Among the newcomers to the EEC, the Danish[8] and, of course, the British Communist parties energetically opposed joining it and they gained their widest audience in years by doing so. The Norwegian Communists in September 1973 won their way back into the Storting after an absence of twelve years on just that platform. They are now offering to dissolve the Norwegian Communist party in the anti-Common Market electoral alliance (SV) to form a new party, as they hate Europe more than they hate Norwegian capitalism.[9]

In the non-member countries, the Swedish party (VPK) was opposed to Stockholm even signing a free-trade agreement with the Nine and called for a referendum on this issue.[10] It is reasonable to suppose that the opposition of the Norwegian and Swedish Communists to collaboration with the Nine will not be platonic, since in both countries the Socialists need Communist votes to stay in office. The Icelandic Communists are actually in office, and their hostility to the Common Market has become passionate since the start of the 'Cod War' with two Common Market powers. The Fisheries Minister in Reyjavik is a Communist. The Finnish Communists, who could return to office, declined to accept any responsibility for a deal with the Common Market and consistently opposed the signing of a free-trade pact. The Swiss Communist party (PST) likewise opposed the signing of 'an agreement of any sort whatsoever' between Berne and the Common Market.[11]

Thus, not only is there no new and more friendly Communist line on the Common Market, but several of the nine Communist parties have won more political influence than they have known for decades by opposing it. Only the Spanish Communist party is prepared to say that, while opposed to Spain's admission, it would favour a post-Franco, democratic government signing an agreement of association with Brussels.[12] But then the Spanish party is anti-Soviet and is actively contested by a Soviet-backed splinter party.

The story about Moscow getting the Western Communist parties to imitate its supposedly more favourable attitude to the Common Market comes really down to one case, that of the Italian party (PCI). But the Italians deny that they are imitating the Russians and, indeed, claim to have educated them into recognizing the economic reality of the Market.[13]

[8] E. V. Jensen, Ed., *De politiske partier* (Albertslund, 1964), p. 99.
[9] *Le Monde*, 9–10 September and 10 October 1973.
[10] 'Ävens-märkt borgarpolitik skall bekämpas', *Dagens Nyheter*, 30 October 1972.
[11] Conférence nationale du PST, June 1971, *Que veut le Parti suisse du travail?* (pamphlet without date), p. 22.
[12] 'Sobre el mercado común europeo' and 'España y el M.C.E.', *VII Congreso del Partido Comunista de España* (Bucharest, 1972), pp. 207–15 and 329–30.
[13] W. Berner and H. Timmermann, *Erfahrungsbericht über den Besuch einer Gruppe führender Vertreter der IKP in Bonn und Köln* (Cologne: Bundesinstitut für ostwissenschaftliche und internationale Studien, 1973).

Yet the first signs of the PCI taking this line came in 1962, when Krushchev was already saying the same thing.[14] Nor did the PCI fail to become hostile to the Community when the wind turned. The late Italian party leader, Palmiro Togliatti, wrote in his political testament of Yalta in August 1964 that the Common Market was 'an instrument of monopolistic concentration' which was reinforcing the 'objective foundations for a reactionary policy that tends to liquidate or limit democratic liberties, to keep alive fascist regimes, to create authoritarian regimes, to block every advance by the working class and noticeably to reduce living standards'.[15] His successor Luigi Longo was still denouncing the Common Market as American colonization in 1967.[16]

Differences between the PCI and PCF

Such dogmatism has been tempered by the PCI's political experience. Firstly, the trade union federation it partly controls, the CGIL, has favoured trade union action at the European level. It set up a lobbying office in Brussels in 1963. It has coaxed the PCI into the notion that one can participate in the European unity movement as an opponent. Secondly, unlike other Communist parties, the PCI has actually been able to do this since 1969, when seven of its MPs were admitted to the so-called European Parliament in Strasbourg. Led by Giorgio Amendola, one of the few party leaders present in Strasbourg, they have been a small but effective opposition force. They have repeatedly punctured the hyperbole of the unity visionaries, denounced concessions to US influence in Europe, and pointed up failures to arrive at specifically European policies, as in monetary matters. They have also criticized the protectionism and the high prices of the common agricultural policy.[17] It is their constructively critical work in the European Parliament, where four French Communists joined them last autumn, which has suggested to some people the vision of a loyal Communist opposition in present and future European institutions and one day, perhaps, Communist participation with Socialists in a left government of united Europe. Even if one gave the benefit of the doubt to the PCI's Europeanism, one should note that it has never managed to get the French Communists to adopt the same line.

The French party (PCF) never varied from its hostility to the Common Market through the 1960s, nor did it even when both Moscow and the PCI moderated their hostility at the start of this decade, despite several

[14] A. Dallin, Ed., *Diversity in International Communism* (New York and London, 1963), p. 500.

[15] P. Togliatti, 'Promemoria', in *Il Partito Comunista Italiano e il Movimento operaio internazionale, 1956–68* (Rome, 1968), p. 238.

[16] Luigi Longo's speech at the April 1967 meeting of Communist parties in Karlovy Vary, *ibid.*, pp. 268–9.

[17] G. Amendola, *I Comunisti e l'Europa* (Rome, 1971). G. Chiaromente and G. Pajetta, *I Comunisti e i Contadini* (Rome, 1970), pp. 43–5.

ttempts by the Italians, in meetings in Paris and Rome in 1971, to ersuade it to do so.[18] On the contrary, the PCF forced the patriotic note, ejecting the least dilution of French national sovereignty in favour of uropean unity, to the point where Georges Marchais accused Michel Debré of being unpatriotic.[19] Its reasoning is alleged to be that a supra-ational power, in which capitalist Britain and West Germany would rield decisive influence, could impede socialization of the French eco-omy by a government of the left.[20]

But, of course, the only conceivable left government in France would a coalition of the Communists and the Socialists—and the Socialists pro-European. This created difficulties for 'Left unity'. In the PCF's n electoral programme of 1971, the 'Europe of the trusts' was de-unced as anti-national, as the work of 'cosmopolitan monopolies', as ngerous to the French economy, and as unfair to Eastern Europe. In rticular, the admission of Britain was seen as aggravating all the faults the union and as increasing US influence. Though France was not ged to walk out, all alienation of sovereignty and all discrimination inst non-members were to be refused.[21]

This was so far from the Socialist stand that M. Pompidou sought to loit the divergence by holding a referendum in April 1972 on the largement of the Common Market. That campaign forced the PCF into ident, and probably unrepresentative, declarations: the Common arket was 'the Europe of poverty', there was a new plan for a European my, while Britain had nothing to offer but unemployment and the th of the peasantry.[22] Yet this line succeeded. Five million Frenchmen resenting 32 per cent of the votes said 'No'—a result the Communists never achieved before. Once again, opposition to the Common arket had proved an electoral asset for a Communist party.

Besides, the referendum did not prevent the French Socialists and mmunists from going on to draw up a common electoral programme, ich contained a compromise on Europe. There is no doubt that com-red with their programme of 1971 the Communists appear to have de substantial concessions in the 1972 common programme of the left. is said that a joint Socialist-Communist government would 'partici-e in the construction of the EEC'; it talked of a common European nomic plan and co-ordination of European foreign policies. However, lso carried the usual Communist rejection of supranationality; it said t the Socialist-Communist government would 'maintain its freedom

[18] *Le Monde*, 19, 24 and 27 November 1971.
[19] *ibid.*, 23–24 and 25 January 1972.
[20] H. Timmermann, 'Westeuropas Kommunisten und die Europäische meinschaft', *Beiträge zur Konfliktsforschung*, II, 3, 1972, p. 19.
[21] *Changer de Cap: Programme pour un gouvernement démocratique d'union ulaire* (Paris, 1971), pp. 9, 17, 208, 222–5, 277.
[22] *Le Monde*, 6, 20, 21, 22 and 23–4 April 1972.

of action inside the Community for the realization of its own political, economic and social programme'. Significantly, it insistently recalled the 'safeguard clauses' of the Rome Treaty, which have been left in abeyance for fifteen years, with negligible exceptions. Since the common programme of the left would launch France on a course of nationalizations, expropriations, penal taxation, and inflation which would make continued membership of the Common Market impossible, the 'safeguard clauses' would indeed be needed.

The catalogue of Communist party positions on the Common Market can be summed up as one clandestine party in favour of association in the future, nine parties resolutely hostile to membership or association and, of the two largest parties, one apparently favourable to participation and one engaged in an ambiguous electoral compromise. Looking mo[illegible] closely into the positions of the PCI and the PCF, one sees that the P[illegible] is pro-European but on certain stringent conditions. One is that th[illegible] European Parliament be directly elected (at present its members a[illegible] nominated by national parliaments) in a Europe-wide vote using a[illegible] identical system of proportional representation everywhere. That directl[illegible] elected body would not, as the unity visionaries dream, nominate a[illegible] executive, a European government, nor would it gain any addition[illegible] powers. It would serve, more effectively because containing more Com munists elected by proportional representation, as a countervailin[illegible] power to the Brussels bureaucracy and the international corporation[illegible] Yet, according to the PCI, those 'international power-centres' woul[illegible] continue to be most effectively controlled by existing national parliament[illegible] and national governments.[23] The notion of supranationality has been a[illegible] firmly, as 'nationalistically', repudiated by the Italian Communists as b[illegible] the French. The Europe the PCI has in view would entail 'the ful[illegible] affirmation of national sovereignties, of national independence', and th[illegible] party has scorned the federalists for proposing the sort of doctrine o[illegible] 'limited sovereignty' that is ascribed to Mr Brezhnev. Moreover, th[illegible] PCI requires that the Common Market cease to discriminate agains[illegible] non-capitalist Europe and break down the artificial barriers to trad[illegible] constituted by the mutual preferences that members accord eac[illegible] other. Next, this Europe must sever its links with Nato. Amendol[illegible] says:

> The Communists adopt the slogan of European *unity* but free it of it[illegible] Atlantist incrustations and from the doctrinal deformations of th[illegible] promoters of the Common Market, putting back into it its true meanin[illegible] of a system of co-operation among all the European peoples, whateve[illegible] their social or political regime, to make Europe a continent of peace. The unity of Europe means the unity of all the European nations from

[23] G. Amendola, *op. cit.*, pp. 61, 74, and N. Ronzitti, 'I comunisti italiani tra grande e piccola Europa', in *Mondo operaio*, January 1972.

:he Atlantic to the Urals, and that is not a formula of de Gaulle's but a
-eality created by history and geography.[24]
ıat Europe, he adds, would be a branch of the United Nations, a
gional association without Atlantic (i.e. American) connections. Plainly,
ıt Europe would be a long way from the vision of the Europeanists,
t not so far from the situation imagined by those European Communist
rties that are openly hostile to the Common Market and all its works.
In February 1973, the PCI hinted for the first time at a willingness to
visage supranational institutions in Europe on condition that this
ıuld be a stage toward West Europe becoming a neutral, like Sweden
Switzerland, between the US and Eastern Europe. This departure
m the Atlantic-to-the-Urals doctrine will need to be spelled out more
sely, both because the PCI simultaneously insisted that it was in
:ment with Soviet policy on the Common Market (and Moscow
never recognized any supranational institution in Brussels) and
use the PCF at that time insisted that it now saw eye to eye with the
on the European issue.[25]
ıe French Communists have never been so violently hostile to
pe as of late, denouncing the Common Market as a syndicate of
alists tied to the US. True, the PCF allows that a united West
pe could one day become a neutral between the US and East Europe
it emphasizes that this could be accomplished without the least
nder of national sovereignty. And besides, such unity would only be
f-way house to 'the real Europe' from the Atlantic to the Urals.[26]
nwhile, the Socialists are condemned for practising class collabora-
by working within the European unity movement. The gulf between
French Socialist and Communist positions on Europe was, if any-
;, widened in Georges Marchais's latest book.[27]

clusion

› sum up: when a Communist, be it Brezhnev, Amendola, or
:hais, 'recognizes' the Common Market as 'an objective economic
y', he means something quite precise. He sees it is an aspect of the
nationalization of production, which is so objective and neutral a
omenon that the Politburo of the Soviet Party could agree about it
the board of General Motors (and indeed hopes to). Against that
ctive' or material economic process, the Communist sets 'subjective'
rs, such as political schemes for West European unity or anti-Soviet
ıdes, which are merely part of the deplorable superstructure of
alism. Those subjective factors are seeking to set arbitrary limits to

;. Amendola, *op. cit.*, p. 80.
I. Timmermann, 'Frankreichs Kommunisten: Wandel durch Mitarbeit',
ropa-Archiv, 9, 1973, p. 306.
.e Monde, 30 May 1973; *Est et Ouest*, No. 512, pp. 5–8.
;. Marchais, *Le Défi démocratique* (Paris, 1973).

the internationalization of production, by limiting the Common Market to nine nations, by stopping the growth of the world economy at the Iron Curtain. In contrast, the Soviet party (and some US corporations) hold that there is no reason not to make American trucks or Italian and Japanese motor cars in the Soviet Union, Poland, or Hungary, where labour is cheaper and more docile, and then export the vehicles to, say, Britain. For Moscow as for Detroit, that would be the true internationalization of production, the real Europe from the Atlantic to the Urals. In that dispensation the two œcumenical forces of the twentieth century, Soviet Communism and the multinational corporation (largely US-dominated) would meet over the heads of the Europeans who would continue down below with their petty little pagan festivals, like nationalism and Little Europe. Such a Europe is remote from European unity as dreamed of in Brussels and Strasbourg, but then no Communist has patience with that 'subjective' fantasy.

More exactly, the only Communists in favour of supranational Euro might be in Peking. Their reasons for favouring it resemble the reaso Stalin had in 1942 for favouring British and American capitalism. The is an enemy in between. In contrast, the French and Italian Communis who are 'carrying the class struggle to the international plane' are walki backwards into Europe, reluctantly limping along behind the dynam forces of the European economy. They realize that, whereas Communi parties are substantial forces in France, Italy, and Luxembourg, th would be a small minority in a united West Europe. If the Communi came into existence as a political entity, far from being the desperate la throw of European capitalism it would be the desperate last act of We European Communism.[28] Since there is no reason to suppose that suc great parties wish to commit suicide, it would be more reasonable to thir that their policy is to exploit nationalist resentment of the unity moveme and to participate in its institutions only in order to preach there th cause of Big Europe without Atlantic ties under Soviet domination.

[28] If a European Parliament were constituted today by the representativ elected in the nine member nations at the last elections, it would have 2,987 dele gates, of whom 276 (9·2 per cent) would be Communists. Only the extreme righ with fifty delegates, would be a smaller group. The Christian Democrat an Centre blocks would each be more than twice as big. The Labour-Social Demo crat block would be five times as big. This imaginary parliament would have bee elected by 148 million valid votes, of which 15·2 million (10·3 per cent) woul have been cast for Communist candidates.

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ote of the month

IE WASHINGTON ENERGY CONFERENCE

IE thirteen-nation energy talks held in Washington ended on 13 Febru-
, with the issuing of a communiqué, large sections of which the French
legation refused to accept. Much of the conference was taken up by the
empts of the delegations from European Community countries to
mmer out a common position. The French claimed that the United
ates (and Henry Kissinger in particular) were allowed to win a major
plomatic victory. According to the French Foreign Minister, M.
ichel Jobert, Europe (and Japan) were moved back firmly into the
lantic system. Herr Scheel, the German Foreign Minister and current
esident of the EEC Council, said that the meeting had exposed the
herent weakness' of the Community.

The *conference* owed its birth to a speech by Dr Kissinger *to* the
grims' Society in London on 12 December 1973. In this, he proposed
it the US, Europe, Canada, and Japan should join together in a united
ort to attack the world energy problem, converting it into 'the economic
uivalent of the Sputnik challenge of 1957'. He specifically called for the
velopment of an action programme within three months which would
n to conserve energy, encourage the development of new sources, give
oducers incentives to increase supplies, and co-ordinate an inter-
tional research programme. Producer governments would be invited
join.

In the light of subsequent accusations, it is worth pointing out that
ere was already a French proposal for a European–Arab conference on
e energy crisis which had met with some interest on the Arab side.[1]
Kissinger, however, did not consult with the Europeans before making
proposal, which came conveniently prior to the Copenhagen Summit
14/15 December, where it met with a lukewarm response. Mr Edward
eath had been enthusiastic, but the Nine's compromise agreement
iphasized that the proper forum for discussing comprehensive arrange-
ents with other industrialized countries was the OECD which, through
oil and energy divisions, had become an important institution covering
ergy affairs. In addition, the Nine stressed the importance of entering
o negotiations with oil-producing countries, suggesting a wariness
it Kissinger might be trying to set up a consumer bloc, which could

[1] M. Jobert proposed this in a Foreign Affairs budget debate in the Senate on
November 1973.

exacerbate relations with the producers at a time when the Arabs were still talking of increasing their cuts in the supply of oil to the industrialized world.

It would have been interesting to see how European policy might have developed at this juncture, but the Anglo-German dispute over the size of the regional fund led to Britain vetoing the energy proposals put forward at the Copenhagen summit. Instead, President Nixon took the opportunity to repeat the Kissinger invitation on 9 January. The US had realized that attempts to get self-sufficiency in energy ('Project Independence') were not enough, and that some form of co-operation among consumer governments was essential. Nixon therefore called for an energy summit to be held in Washington on 11 February, consisting of the foreign ministers of Japan, Canada, Britain, France, West Germany, Italy, Holland, and Norway, together with the Secretary-General of OECD. But the aim of the conference was by no means clear. American officials like Mr William Simon were talking of reducing the prices paid for oil (which would imply a confrontation with the producers), and it was significant that producer governments were not invited this time, even though Iran had wanted to come to the conference originally proposed at the Pilgrims' dinner. A subsequent press conference by Dr Kissinger and Mr Simon indicated that the February meeting would be followed by conferences with other oil consumers; finally, there would be a conference involving consumers and producers. The Secretary of State and the Administrator of the newly formed Federal Energy Office attacked the kind of bilateral deals which the French and British, in particular, were then trying to strike with Iran and Saudi Arabia, suggestin such competition would only prove ruinous for all consumers.

The EEC Commission's response was positive, urging that th Council of Ministers should make the formal decision, and that Europ must speak with one voice at the conference. There was some resentmer that Belgium, Luxembourg, Denmark, and Ireland were not invite (they were soon included), but Paris had deeper reservations. Coming a a time when the French were heavily involved in bilateral diplomac aimed at getting more Middle Eastern oil, their officials once agai stressed that they did not want to become embroiled in a confrontatio with the producers—a view which the Commission also voiced. Th French counter-plan was for a world energy conference under Unite Nations' auspices. Algeria backed this proposal in the name of the non aligned nations,[3] and, in parallel with the progress towards the Washington conference, the UN proposals moved ahead, winning the support o the majority of Assembly members, including the countries at th Washington conference.

[3] See President Boumedienne's letter to the UN Secretary-General, Mr Waldheim, in *Le Monde*, 1 February 1974.

France left her decision to attend until 6 February, when it was ecided to send M. Jobert, despite the fact that under the revised con-rence proposals the Minister of Finance could also have been sent. It 'as made clear, however, that the French presence should not imply a illingness to set up any organization of consumers, or any organization 'hich would institutionalize the relations of industrialized consumers oncerning oil-related issues. Immediately after this Cabinet decision, I. Jobert flew straight to Baghdad. It is also noteworthy that Japan was xtremely uneasy about the conference, particularly after Sheikh 'amani's warning that a consumer front would be very serious for her.

From the start of the conference, the Community delegation split eight one against France, particularly over the issue of whether there should e a follow-up. Much time was spent in efforts to paper over the rift but ie eight eventually decided to give up trying to accommodate the 'rench and to agree on a communiqué[8] with the Americans over their eads. This called for the conservation of energy and restraint of demand, system of allocating oil supplies in emergencies, intensified development f additional energy sources, and the acceleration of energy research and evelopment programmes through international co-operative efforts. welling on the financial dangers of competitive devaluations, it stressed iat new monetary mechanisms might be needed, and that aid efforts iould at least be maintained at present levels. The communiqué also greed on the creation of a group of senior officials to direct and co-rdinate these actions; it should prepare for a conference of consumer and roducer countries at the earliest possible opportunity, though another arlier meeting of consumer governments was not ruled out.

Given that this was ostensibly a conference about oil and energy, the ommuniqué was disappointing. Some work may have been done in the ackground to set ground-rules for future bilateral deals, but the text iade it clear throughout that the conference had added little to work lready carried out in the OECD, IMF, World Bank, and the UN. There 'as little suggestion that these institutions had either been falling down n their job, or needed superseding.

The significance of the conference, then, lay elsewhere: in the evolu-on of the Atlantic Community and the EEC. The energy crisis forced ie European Community to face up to the ambiguities of its position on ie Atlantic relationship. Whereas the Kissinger proposals for an Atlantic harter were never too dangerous as long as the battles were over mere 'ords, the energy crisis was concrete enough to flush out France's in-rdinate suspicion of American intentions. The Community has now larified the majority's dislike of appeals to European identity based on nti-Americanism.

Probably the most important development, though, was the final

[8] For text of communiqué, see *Financial Times*, 14 February 1974.

acceptance by Germany that a show-down with France was necessary. This resentment against France had been building up, and the unashamedly aggressive stance of Herr Helmut Schmidt, the West German Finance Minister, towards France's intransigence in Washington was a plain sign that the Germans were at last gaining the self-confidence in diplomatic affairs which befits their economic strength. It is also possible to argue that the overriding of France may diminish the importance of unanimity in EEC affairs, which should lead to more rapid decision-making.

In the meantime, Dr Kissinger was lucky. This was his first major initiative in the arena of international economic relations, and his grasp was by no means sure. It was not just France who was aggravated by lack of prior consultation. The aims of the conference remained vague and changed over time. The proposals for a consumer-producer conference will be welcomed by everyone, but could have been achieved through the OECD, (as Opec had already suggested). However, what will be remembered is the spectacular display of French intransigence, which will haunt the European Community for some time to come.

LOUIS TURNER

)ne year of peace in Indochina

)ENNIS J. DUNCANSON

A year ago it was suggested in this journal that Hanoi would probably turn the ambiguities in the ceasefire terms to its own advantage. How far has that prediction been borne out?

`HE number of casualties from the fighting which has taken place in ndochina since last year's ceasefires is not easy to ascertain. So long as he US armed forces were still engaged in the fighting, there was a semb- ınce of precision, if not always truthfulness. But the Communist com- ıand tells us nothing, and it may be doubted whether the administrative rrangements of the three governments opposing it merit confidence: ,aigon spokesmen have announced as many as 55,000 dead, as few as 5,000; in Laos, the casualties have been few, if any; in Cambodia (where Ianoi has not consented to a ceasefire yet), they are fewer than in Viet- am, but not in proportion to that little country's resources and probably ıclude more civilians. Since the territory of North Vietnam is the one art of Indochina not contested during the war, the only casualties there t any stage have been from bombing, and that ended with the ceasefire.)ne way or another, at least 50,000 individuals have probably died in ndochina as a whole because of military action since the Laos and Viet- am ceasefires went into effect; historians are reminded of the descriptions f desolation left by native writers and by foreign explorers during the enturies before colonial rule imposed a *pax gallica* on it all for a few lecades.

'he strategic balance

The ceasefires left Communist armed forces in possession, no longer isputable, of a wedge of territory encompassing more than four-fifths of ,aos, at least half the area of the former region of Annam, and about one- fth of the former region of Cochinchina, reaching to within thirty miles f Saigon; the Laotian and South Vietnamese segments of the wedge are ined by another block of territory in eastern Cambodia which the same rces occupy de facto in the absence of a formal agreement. One of the ticles of the Vietnam ceasefire required the evacuation of Laos and ambodia by 'foreign troops'; but it is arguable whether Vietnamese

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forces are 'foreign', especially when they incorporate manpower from the hill tribes astride the various frontiers, and Hanoi discourages inquiries into the matter.[1] Although the expected reductions in strength of Chinese troops in northern Laos are hard to check on, it remains substantially true, as it was a year ago, that no whole divisions of the People's Army of Vietnam (PAVN) are stationed within their own Democratic Republic (DRV)—all are still on expeditionary-force duty. The principal function of the Pathet Lao, the Red Khmer (officered as it is, according to Prince Sihanouk, by a PAVN cadre), and the local Communist recruits in South Vietnam is to service, and shield from prying eyes, the core force, upon which Communist confidence in 'victory'—frequently defined in the Hanoi press as reunification of Vietnam and, ultimately, a federation of the 'fraternal peoples' of all Indochina—is explicitly based. There is, naturally, nothing to prevent North Vietnamese soldiers from donning Pathet Lao or Red Khmer uniforms, in deference to the Nixon Doctrine that American arms can be supplied to help governments fight off local rebels but American soldiers or bombers only against an 'external threat'.

In Laos, the in-place ceasefire has kept the peace because, in signing it, the Royal forces accepted the effects of defeat and because, after conclusion of a supplementary protocol in September,[2] the political provisions could be embarked on with relative promptness. In South Vietnam, by contrast, the whole concept was as if designed to perpetuate tension and skirmish; instead of separating the forces as widely as possible, it kept them in sight of each other along a tortuous notional line. Since January 1973, Communist commanders have tried to straighten and advance the line towards the Annamese seaboard, where the bulk of the population lives; efforts of government forces to push them back again have been reported as breaches of the ceasefire, but the outcome has been marginally favourable to the PAVN—an impossibility if it was on the defensive. Meanwhile, with but a slight increase in total strength (from about 145,000 to about 180,000), PAVN has macadamized the Ho Chi Minh trail, extended the oil pipeline from Laos down into South Vietnam to about the 15th parallel, and added lateral spurs to both; it has built up stores in South Vietnam estimated at over 100,000 tons. The expeditionary force has been equipped with 500 new tanks, its crews retrained (some in the USSR); new air fields have been built, with surface-to-air defences. The logistical dependence of this complex on importation of munitions from Russia and China, channelled through the ports of North Vietnam, would be sufficient, even without political considerations, to keep overall command of Communist forces through-

[1] On 24 January 1974, Dr Kissinger told the press that Le Duc Tho, his North Vietnamese counterpart, had admitted that PAVN forces were 'foreign troops' even in South Vietnam; but the world has yet to hear it from Tho's own lips.
[2] For details, see *The World Today*, October 1973, pp. 409–11.

ut Indochina in Hanoi hands. Against this massive build-up, Saigon is ırrounding itself with a huge tank trap.

'he tactical balance

Thus, the Communists have dropped the pretence of being a 'self-:liant' force of Freedom Fighters, and their men are urged in the daily *'eople's Army* to 'steep themselves in science and technology', because ·ngineering will be the foundation for future offensive (sic) campaigns'.[a] Nevertheless, they have a guerrilla force as well, formed since the old ne of the 1960s was destroyed after the horrors of the Tet offensive ve years ago; the new force is estimated at 25,000 strong and operates n the government side of the line. Even the guerrillas receive supplies rom the North, and some bands, isolated from 'the people' by a security-ɔrce blockade, have come near to starving. Their tactical role appears to ɩc less as advance guard for a PAVN offensive, although they would pre-umably be in that position if one were planned, than as the executives of ampaigns of economic and psychological warfare; the Communist gent infiltrating the villages to collect 'contributions'—or to arrange landestine purchases of paddy, or to spread rumours or other propa-anda—is only credible if there is an armed band within earshot to remind he common folk that Communist power is not confined to the other side f the ceasefire line but is ever present and consequently as likely to win ı the end as the Government.

American official apologists for the 'peace with honour' argue that 'AVN gained no territory out of it, since the ceasefire line had already een reached in the 1972 offensive. Yet the approval of the twelve-ation conference at Paris of 26 February 1973 for Hanoi to keep in-efinitely the fruits of that offensive confines the South Vietnamese oldiers to a disheartening posture of defence; they know that any effort n their part to free their territory could lead to a cut-off of American unitions and foreign exchange. For the Laotian soldiers there is the ıdignity of actual token garrisons of the enemy in their two chief cities, ithout any compensating garrison of theirs in his shadowy 'capital' at am Neua. For the beleaguered Cambodian soldiers, the hope that the AVN expeditionary force would honour the ban on 'foreign' troops on ıeir soil in the Vietnam ceasefire and go home proved illusory; denied ıe chance to negotiate a ceasefire of their own, be it as humiliating as the aotian one, they are condemned to unflagging alertness and daily avery at the very gates of their citadel. Hanoi has had good reason to pect that a year or so of this situation would work on the morale of the fence forces opposing PAVN with results like the break-up of the ationalist army in China in 1948–9. Certainly, in South Vietnam, dividual absences without leave are running at a high level, and some

[a] *People's Army* magazine for September 1973.

whole units are reluctant to look for combat; yet Communist defectior are just as numerous, and the repeated appeals in *People's Army* for tighte discipline and combat-readiness, coupled with insistence that attacks o government positions 'are necessary in order to forestall breaches of th ceasefire by Saigon',[4] point to war weariness on Hanoi's side too.

Economic bankruptcy

The war has made all the four states of Indochina totally dependent o the generosity of outside powers—principally the US, the USSR, an the People's Republic of China—not merely for every bullet thei soldiers fire, but for the foreign exchange with which to pay for imports dependence on imports has in turn reached deeper and deeper into th economy, until, with the single exception of Cambodia, all have bee reduced to importing even staple foods, whereas exports have dwindle to negligible values. If détente between the great powers could hav extended, in Concert-of-Europe style, to a joint accord between *them* fo a political settlement in Indochina, its terms could have been enforce through joint control of both arms supplies and foreign exchange; but i was tacitly understood that détente set limits on American politica objectives, not on those of Russia or China, and Dr Kissinger was tol he must negotiate with Hanoi directly.[5] President Johnson voiced th hope that Hanoi would so far welcome American financial support fo rehabilitation of the DRV that it would modify its political determinatior to deprive the Republic of Vietnam (RVN) of its independence; on th contrary, Hanoi has made its acceptance, not only of American, but o other offers of aid—including, it would seem, that of France—conditional on willingness by the powers offering it to second its political objectives by extending diplomatic recognition (of which more hereafter) to its phantom nominee in the South, the Provisional Revolutionary Government of the Republic of South Vietnam (PRG). This obduracy does not reflect the robustness of Hanoi's economy, since, quite apart from the bomb damage to power stations and communications still awaiting rehabilitation, something like a fifth of its 1973 rice crop was lost in typhoons;[6] it flows instead from the certainty that Moscow and Peking, vying with each other more than ever since détente as champions of national liberation—the trigger for the cold war in Asia—and unrestrained by public opinion at home, will give it all the food and weapons, and also the oil to flow down the pipeline, required for victory as Hanoi itself defines it.

[4] Directive No. 3 of the Central Office for South Vietnam (COSVN), published by USIS in Saigon.

[5] At the Commonwealth Prime Ministers' Conference at Ottawa on 2 August 1973, Mr Edward Heath forecast that détente would make conflict among small powers more, not less, likely.

[6] Another captured instruction issued to the expeditionary force by the COSVN refers to rice supplies as having now 'become a life-and-death matter in the 1974 phase of the struggle'.

On the other hand, maintenance of tension by the expeditionary orce in South Vietnam guarantees perpetuation of Saigon's financial lependence on Washington, and thence on the caprices of American ›ublic opinion. As world commodity prices have risen, American aid ıas fallen (from $385m. in 1972 to $320m. in 1973); moreover, the dollar ıpending of American servicemen and contractors has declined from $403m. in 1971 to $100m. in 1973—perhaps $25m. in 1974. The mili-ary tension precludes demobilization from the present strength of 300,000 (including the paramilitary), but taxation is barely enough to ›ay the 284,000 civilian employees of the Government; the soldier's pay ıas to come out of the piastres which consumers, their own incomes leclining, pay for imported commodities, including rice, whose dollar ;ost is met by the US exchequer. Thanks as much to world factors ıffecting a free-market economy, not insulated by any bamboo curtain, ıs to internal factors, the purchasing power of the piastre falls and falls; ›oday the soldier's basic pay is no longer enough even to feed a four-person family, let alone house and clothe them. Pilfering of military equipment—complained of to some extent in the North too—has set in ›n a disturbing scale, for it could lead to wider indiscipline and decline in norale; men stationed in or near a town are often daily absent without eave while they earn money there in mufti.

Finally, not only the wastefulness in fuel oil of any standing army, but nany of the accelerated programmes for ameliorating the peasant's lot vhich American advisers urged on President Nguyen Van Thieu and his redecessors, have further inflated the oil bill: water pumps for irri-ation, outboard engines on rivercraft, and mounting demands for petro-hemical fertilizers to feed the new 'miracle rice' all make the peasant ependent on foreign exchange, on a scale his 'green revolution' was not et contributing an exportable crop to pay for, even before Opec doubled he price for crude oil. To crown it all, one of the unforeseen conse-uences of land reform has been to put out of use the big paddy stores of he former landowners, so that as much as a fifth of the last two crops tored in peasants' homes may have been rendered unmarketable by amp or vermin. Even if the RVN's hopes for offshore oil deposits of their wn were proven and went unchallenged by China (or other claimants in he case of the Spratly Islands), it is questionable whether they would be ielding substantially before the end of this decade.

Ianoi's political strategy

Thus, Hanoi has a choice between another all-out offensive or slow osion by economic warfare of the capacity of its various prey to resist,[7]

[7] I use the word *prey* advisedly, in its prime meaning of *preda:* nobody is chal-nging the continued independence as a state of the DRV, but the DRV has been acking the other three states of Indochina.

in fulfilment of Lenin's teaching that states are often best undermine
through galloping inflation of their currency; the Nationalist regime i
China received its coup de grâce from that direction. Meanwhile, how
ever, a political strategy is unfolding, not so much on the domestic front a
on the international stage. In the case of Laos, the taking over, through th
Pathet Lao, of the principal institutions of the state, under the monarchy
is proceeding smoothly, if more slowly than Hanoi might have wished
and there is no longer any question but that the overseas representatio
of the Royal Government will pass eventually into Communist hands
Cambodia, on the other hand, has proved intractable; even if the soldier
defending Phnom Penh had not been so stubborn, Hanoi has no Cam
bodians capable of taking over the central government, under the eyes o
the world, without a numerous North Vietnamese cadre. Throughou
1973, therefore, Hanoi endeavoured, with lobby support in the UN fror
China (and latterly the USSR), to obtain international recognition fo
Prince Sihanouk's government-in-exile (in Peking); if enough U
members were persuaded to do so, the present civil servants in Phnor
Penh might change sides. During the year, the balance of recognitions o
Sihanouk almost reached parity with the established government, bu
then stuck, especially after the Prince began to acknowledge that h
really had no influence whatever over the 'government' he was suppose
to head—whoever its leaders may actually be.[8]

In South Vietnam, the ceasefire envisaged a political settlemen
through a general election. In negotiation, Hanoi had demanded, as
first step, that a provisional government be *appointed*, on the *troik*
principle: two-thirds of the existing elected legislature were to resig
their seats in favour of equal numbers of Communist nominees and o
'neutralists'. Obviously, if the peace was to be 'with honour', Dr Kis
singer could not initial a proposal which begged the question of self
determination—a principle which had guided US Presidents ever sinc
Roosevelt and the Yalta Conference—but President Nixon was willin
to underwrite a clause entrusting the running of the elections to a body s
composed. The snag is that the 'neutralists', without whom there can b
no 'National Council for Concord and Reconciliation' to hold the elec
tion, do not exist; Communist efforts to find willing and plausibl
recruits by wooing Saigon intellectuals outspoken against Thieu, an
more still among émigrés in France, have yielded few.[9] Thieu's offer o
internationally-supervised elections in August 1973, without waiting fo

[8] After protracted radio appeals for some spokesman to make himself known
the Cambodian Government hoped that an authorized envoy would meet them i
Laos early in January 1974; but they were disappointed.

[9] According to Hoang Quoc Viet of the Hanoi Politbureau, interviewed at th
Congress of the World Federation of Trade Unions at Varna—*Rinascita* (Rome
16 November 1973. Viet added: 'In the end, victory in the South will come to u
[that is, to Hanoi] through perseverance over this "third force".'

the 'neutralists' to appear, was rejected by Hanoi. Instead, intensive lobbying has been conducted in international circles, in the same breath as lobbying over Cambodia, for diplomatic recognition to be transferred from Saigon to the PRG; taking a leaf out of Peking's book over Taiwan perhaps, Hanoi is delaying acceptance of proposals to recognize its own government until the other state is willing to recognize the PRG as well. Since foreign governments are objecting, despite importation by PAVN of settlers (and potential voters) from Tonkin and Cambodia, that the PRG's writ visibly does not run among nine-tenths of the population—and moreover does not emanate from any capital or from any body even charitably recognizable as a government[19]—Hanoi is also pressing for demarcation of the ceasefire line as a recognizable PRG territory. Saigon is counter-lobbying—out of anxiety, not only that this would be tantamount to alienation of another third of its territory to the DRV, but that, if Hanoi succeeds in its objective, the US may one day be alone in still recognizing the RVN; American public opinion would then certainly terminate financial and military aid, and that would be the end of South Vietnamese independence, for the PRG would promptly 'reunify' with the DRV

The Year of the Tiger

Whilst the Laotian Government manœuvres to get from the Communists the least ungenerous interpretation it can of the capitulations it has signed, and the Cambodians hold on gallantly, with no room in which to manœuvre, the Saigon Government, in a stronger position, is renewing its efforts to establish both a party-political and an administrative presence in the villages—an age-old problem of Vietnamese society every time a rebel force challenges the central authority. It is concerned, on the one hand to blockade the PAVN/PRG zone in order to stop the flow of paddy and of currency so essential to economic warfare against it, and on the other to infuse a spirit of renewal into the public services, whether technical or more narrowly administrative; slogans proclaiming an 'Administrative Revolution' line the roadsides. The principal features of the 'revolution' are: incorporation of the élite personnel of the old civil service into a body of National Cadres, on an equal footing with temporary employees of rural-betterment and other lower services; devolution of ministerial powers to local authorities; and the opening of village offices by three new political parties into which the members of the legislature have resolved themselves since the cease-

[19] Envoys from eight of the twenty-eight countries who had acted on the wish of the Communist powers in this matter travelled from Hanoi to the northernmost district of South Vietnam, under PAVN occupation, on 1 July 1973, and 'presented their credentials' to President Huynh Tan Phat, beneath a portrait of the late President Ho Chi Minh of the DRV, and then went straight back. All but the envoy of Mauritania represented Communist states.

fire—the Democratic Party (of the majority and President Thieu himself), the Republican Party, and the Freedom Party, together comprising a definitely *anti*-Communist *troika* of their own. The theory is that parallel channels of administrative and party concern for the peasant will emerge; but, except that there is no suggestion that the three parties represent *class* distinctions as in the DRV/PRG, the undeclared intention is undoubtedly to match the Vietnamese Communists' three-party 'coalition'—between the Workers', Socialist, and Democratic Parties, the latter two of which were founded by the first.

It is too soon to say what will come out of this reorganization; critics in the Saigon press see in it a harbinger of authoritarian government, though, thanks to the free-market economy Thieu is vowed to uphold, something well short of the totalitarian rule with which the Communists would like to tempt them across the ceasefire line, in the role of 'neutralists'. What the reorganization lacks, especially by comparison with the last Year of the Tiger (1962) when Ngo Dinh Diem tried something similar, is any strengthening of village defence; the official answer is that existing village defences are strong enough, but the true explanation is probably fear of a bad press in America again for herding the peasants into 'concentration camps'. There is no despair yet in Saigon, but what do the people, swayed by portents, expect of the coming Year of the Tiger? The tiger's characteristics, we are told, are that it eats its way systematically through the wild life surrounding its lair; that it pounces three times before giving up its prey; that only the hedgehog can resist it; and—most ominous of all—that the souls of those it has devoured spur it on to seek and devour more and more prey.

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Military lessons of the Yom Kippur war

LAWRENCE WHETTEN and MICHAEL JOHNSON

New constraints on the use of airpower were apparent and the infantryman regained some of his historic importance. The entire doctrine for localized warfare must now be re-examined.

THE most recent outbreak of hostilities in the Arab–Israeli conflict has been graphically portrayed in the world press as one of the most intensive limited war engagements of small powers in recent history. The Egyptian r defences were the most elaborate ever constructed and the tank attles were conducted on a scale not witnessed since the Second World /ar. Both sides seemed equally committed to the attainment of their war ms. Equipment levels, troop proficiency, officer leadership, and logi-ical support on both sides had improved substantially during the five :ars since the Arabs' last defeat and incorporated wide-ranging innova-ons. Armaments and tactics employed during the Yom Kippur war, ierefore, are likely to have a major impact on all future military opera-ons.

Probably the most significant lesson was that of the continuing need ır military and political vigilance to ensure readiness and prevent tactical ırprise. Israeli military intelligence detected and reported the extent : Arab preparations. On the Egyptian front, deployments were made nder the guise of the annual autumn exercises. From the end of Septem-:r through the morning of 6 October, military indicators of imminent ɔstilities increased: a growing number of units were placed on full alert, ɔmbat aircraft were grounded, reserves were mobilized, additional]uipment moved forward, Soviet dependants were evacuated, etc. On ıe Syrian front, no annual manœuvres had been conducted along the ıraeli border and the deployment of mechanized brigades from the ɔrdanian to the Israeli frontier without reaction from Amman signalled major shift in policy. Indeed, at the same time Jordan began moving her wn units north to cover the Syrian front from the Jordan River Valley. n 1 October Syria's air defence systems went on alert and on 2 October :r reserves were mobilized.

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Despite these and numerous other indicators, the Arabs achieved high degree of tactical surprise; only regular Israeli garrison units forward positions were on alert and a low-key mobilization began only c 6 October. In Mrs Meir's words, Israel nearly lost the war in the first tw days; the Israeli leadership did not take the political decision to mobili in time to prevent serious reversals on both fronts. Israel has consistent based her defence policy on the doctrine of maintaining a minimu standing force supported by the rapid mobilization of highly trainc reserves. But even with the excellence of its national mobilization capab lity, the Israeli Defence Force (IDF) requires adequate warning of th opponent's intentions if his forces are deployed in mass to forwar positions. To ensure sufficient warning, Israel developed an intelligenc service of legendary competence. But both the intelligence professiona and the political authorities minimized the prospects of hostilities becaus of their almost uniform perception of beneficial changes in the inter national situation.

Israel's political strategy after the June war was highly consisten and adroitly managed. Repeated Soviet interventions in various form were intended to underwrite Arab military parity and to deter the IDI from attack until battlefield equivalency could be convincingly demon- strated. Guaranteeing the Arabs a plausible military option denied th Israelis the political fruits of their 1967 military victory. When these con- straints became apparent, Israel adopted the position that she would negotiate with the Arabs only in circumstances when their political leverage was reduced to the point where their military build-up would be irrelevant. In other words, Israel wanted to force the Arabs into a political straitjacket with no more freedom of manœuvre than they could exercise from their militarily inferior position. This line required Israel to main- tain her military superiority and prevent any external attempts to reach a political settlement that violated Israeli terms for negotiations. Tel Aviv successfully blocked the efforts of both super-powers, primarily the US with her repeated Rogers' Peace Plans, and was convinced that apathy had replaced initiative in Washington's Middle Eastern policy. President Sadat's expulsion of the Soviet combat troops from Egypt in July 1972 and the Americans' inability to exploit this opportunity convinced Israeli leaders that both great powers had been effectively checked. Without massive political or military support from the external powers, Israel was confident that the Arabs would not attack her defensive posi- tions. This error in political judgement was responsible for the decision not to mobilize Israeli reserves until hostilities were imminent.

Israeli domestic critics have frequently charged that Israel should have repeated her June war tactic of a preemptive attack against the deployed Arab forces. But substantial changes in the Egyptian air posture had occurred in the five-year interval. The establishment of the world's

lensest area air defence system, coupled with semi-hardened airbases with aircraft housed in concrete dispersed hangars, combined to make an effective Israeli preemptive attack impossible. During the first week of hostilities, the Israeli Air Force (IAF) attempted to destroy Egyptian aircraft on the ground, but with poor results. The IAF also used standard tactics of attempting to render airbases unserviceable by cratering runways. But the use of quick-drying cement effectively countered these efforts. In short, the inability of the IAF to destroy Syrian and Egyptian aircraft on the ground or to render their bases inoperable forced the Israelis to achieve air superiority by aerial combat.

The air war

The air war provided additional unexpected developments for the F. Among military experts, the IAF is generally regarded as being rhaps the finest air force, especially in pilot proficiency and ground pport. It had repeatedly defeated Syrian and Egyptian attempts to ablish a credible air defence system and maintained unquestioned premacy over Arab pilots. Indeed, only a few weeks before the hostilis, the IAF baited and ambushed two flights of Syrian interceptors d downed a total of 19 aircraft. With this previous experience, it was rprised by the effectiveness of the Soviet-supplied air defence system d the Arabs' proficiency in operating it independently of Soviet visers. In particular, the relatively old IAF electronic countereasures equipment was unable to jam the radar acquisition and tracking quencies of the much-heralded SAM-6 and the ZSU-23-3 and ZSU-2 AAA systems. Moreover, decoy flares were ineffective against the tically-aimed, heat-seeking SAM-7 missiles. Arab crew proficiency as high, allowing all systems to be operated under conditions of heavy age. After three weeks, those systems that had not been destroyed were ill operable against the IAF. Even in the later stages, Syrian and Egyptn SAM batteries were able to fire salvos rather than single missiles. he barrage-fire technique made aircraft evasion difficult and minimized ectronic counter-measures, which had to cover as many as seven equency bands simultaneously.

To the IAF's credit it learned quickly from its initial errors. At the itset, it attacked parallel to the Canal in order to gain maximum time er target per sortie. Due to high attrition rates and the failure to inflict rious damage on the Egyptian bridgeheads, more selective tactics were sed, whereby a crack in the air defence wall was sought by saturation ids which were conducted along flight paths perpendicular to selected oints. These efforts also failed and the IAF confined its operations outde the stationary Egyptian air defence envelope. When the IAF was rced to attack the Syrian air defence network on 8 and 9 October it ould not flank the system by overflights of Lebanon and Jordan for fear

of expanding the conflict. It had to use a frontal assault that cost thirty aircraft, but opened a wedge in the first of three Syrian fortified lines. By the end of hostilities, 40 Syrian SAM-6 batteries were still operational. On the Egyptian front, the air defence envelope was not cracked until IDF tank units operating on the West Bank on the night of 15–16 October physically overran SAM and AAA sites. In co-ordination with ground forces, the IAF was then able to roll up systematically the air defence system from flanking positions by saturating individual sites with near omni-directional attacks.

Because of the Arabs' confidence in their air defence system, their air forces were not committed to the air battle until the SAM network was broken. This was due in part to the difficulty of any aircraft operating in a barrage air defence environment, in which identification (IFF) of radar-guided and optically-aimed systems is hard to integrate. The Arabs may also have calculated that by holding their aircraft in reserve they could later engage a weakened IAF with greater success. But when the Arab aircraft were committed they lost heavily to the Israelis, suffering losses at a rate as high as 20 to 1. The Arabs, however, demonstrated personal aggressiveness and sufficient proficiency in ground support for sustained operations to be conducted.

In close ground attack operations, the IAF was able to inflict heavy losses against Arab mechanized units when they operated beyond the air defence envelopes. Indeed, the IAF will probably be credited with the major responsibility for the halting of Syrian columns on 6 and 7 October only a few miles short of their military objectives. October 7 was the crucial day and the IAF flew hundreds of sorties and turned aircraft around sometimes in seven minutes. The IAF was most effective in the Sinai against Egyptian supporting columns during the offensive on 14 and 15 October, again when they were beyond air defence range. It was less effective in supporting engaged units because of the identification problem. The experience of the Yom Kippur war suggests that the Russians and the Arabs have excelled in constructing and operating a static air defence network. But despite the mobility of the SAM-6 and 7 and the ZSU anti-aircraft gun series, they failed to produce adequate air protection for the manœuvre battalions in the field. The simplest explanation may be the difference between indiscriminate barrage fire from fixed batteries and controlled fire required for field operations. If accurate, this would suggest that the deficiency stems from logistics and training rather than weapons sophistication.

A significant difference in the conduct of the air war on the two fronts was in its strategic aspect. Israel repeatedly sought the psychological Achilles heel of both Syria and Egypt that would impair their determination. Accordingly, she launched a series of strategic raids against political and economic targets in Syria. The country's economic infra-

tructure was severely damaged, but there is no evidence that military or ivilian morale was adversely affected. If anything, the raids galvanized Syrian resolution. On the other hand, it is important that Israel was deerred from conducting similar strategic strikes against Egypt, for intance in the Nile Valley. The presumed reason for Israel withholding his option was Sadat's announcement on 16 October that he had surfaceo-surface missiles for retaliation against IAF strikes. These were not Egyptian SSMs as claimed, but two battalions of Soviet SCUD-B SSMs which had left the USSR with crews on 12 September. Their arrival in Egypt was a fairly open secret. (After Israel's violation of the 22 October ceasefire, Moscow sent two additional battalions.) Western press sources were speculating that the missiles were most probably accompanied by both nuclear and conventional warheads. Whether true or not, Israel could not afford the risk of testing Soviet intentions; even a conventional missile attack on Tel Aviv would have been an unacceptable consequence of a raid on Alexandria.

In summary, the air war is likely to have important consequences for other military powers. Air superiority will have to be won in future in the air, not on the ground. Only multiple nuclear strikes can now render an airbase inoperable for an acceptable period of time. Paradoxically, it was the IAF in 1967 that demonstrated aircraft vulnerability to ground attack but was denied the further benefits of these tactics by the opponent's counter-measures. After assessing the reasons for the 1967 defeat of the Arab air forces, other military powers, especially the USSR, launched major campaigns to ensure aircraft survivability. But new constraints on the use of air power are also now apparent. In the ground attack mission, for example, the availability of large numbers of air defence weapons and inexpensive missiles will require a greater number of aircraft to inflict the same degree of damage. The costeffectiveness of fighter-bomber aircraft may soon be seriously questioned. The expense of modern aircraft may either prohibit an attacker with a limited aircraft inventory from conducting large-scale ground attacks or necessitate employment of inexpensive light-weight aircraft with markedly reduced payloads. The air defence threat will also require increasingly sophisticated electronic counter-measures (ECM) equipment, greater use of drones for reconnaissance and electronic support ssions, and the employment of stand-off air-to-surface missiles with ges of 20 to 30 miles (such as the US SRAM). But there is no reliable unter-measure against the optically-aimed, man-portable, heat-seeking ssiles, which will soon make attack aircraft vulnerable to forward antry patrols. Thus, there may soon be sound grounds for returning close ground attack mission to artillery and reserving fighter-bomber craft for interdiction and hardened targets.

The ground war

The ground war also provided unexpected developments. The Israeli Government and defence officials believed that the post-June war lines of the Golan Heights and the Suez Canal were the most defensible borders Israel could achieve against her neighbours. These borders must not be negotiated away without a durable peace. They proved not to be as secure as envisaged, but they did assure sufficient depth for the IDF to be able to trade space for time when caught surprised without adequate warning. Domestic critics have argued that the ground war confirmed the necessity of maintaining these 'strategic' borders. Other have pointed out that this could be justified only if Israel expected a war of attrition or annihilation. But if in fact the war was waged from the Arab side, as alleged, for the recovery of Arab honour and lost territories, then Israel was fighting for land she has been attempting to exchange for security for the past five years. In this case, Israel fought the wrong war, at the wrong time, for the wrong aims. The incongruity between these extremes suggests that a greater consensus on security policy is now required: Israel must accept a formula for secure borders that incorporates a greater degree of political stability than of military defensibility. Mutually agreed borders mean just that.

The fortifications along these lines reflected differing concepts of operation and a high degree of ingenuity on both sides. On the Golan Heights, Israel had constructed only a thin line of fortified bunkers and tank positions adequate to block minor incursions; a major attack was to be countered by manœuvrability of armoured units on terrain that favoured the Israelis. Syria had constructed a line of heavier fortification several miles behind the armistice line; it was to provide protection for the forward air defence system and several mechanized divisions. Ten to twelve miles behind it was the main fortified echelon with heavy artillery revetments. A third echelon had been constructed eight to ten miles from Damascus. The first line held sufficiently well for the three retreating mechanized divisions to pass through in good order, with the two armoured divisions holding this position. The armoured divisions covered the retreat and then withdrew to the second, or the Saasa, line. This echelon was never seriously breached at any point by the IDF.

In the Sinai, the Bar-lev Line of three subordinate defensive positions functioned exactly as designed. The first echelon along the Canal reported and constrained the Egyptian attack. Its principal function was to channel any major incursions into desirable areas for IDF counter-attacks. The second echelon was to refine this process by pinning down with artillery main thrusts while armoured units manœuvred for flanking attacks. The third line contained a series of battalion-sized fortresses and was only reached in the area of the Mitla Pass.

On the Egyptian side, massive fortifications had been constructed for

the protection of at least five divisions and supporting equipment. The effectiveness of these defensive works cannot be adequately assessed, however, since they were turned and overrun only by flanking manœuvres. Both sides underestimated the value of the Canal as a complement for their fortification plans: the Egyptian crossing was well-planned and well-rehearsed, and the Israeli opportunity crossing was ingeniously planned and executed, contributing to the collapse of the Egyptian Third Army. In short, the fortifications on both sides reflected their respective military preferences: the Arabs sought set-piece engagements of attrition in which their superiority in numbers could be brought to bear if their initial forward thrusts failed, and the Israelis opted for a war of movement in which they could destroy or neutralize as much of the enemy force as possible. The effective use of static defences is widely regarded as a novel feature. With the rising costs of advanced weapons, the adoption of similar combinations of static and mobile defences may become appropriate for an increasing number of smaller states.

The use of fortified positions revealed changes in the roles of the traditional combat arms—infantry, armour, and artillery. The Arab initiative in tactics forced the Israelis to a surprising degree to fight on Arab terms. Israeli over-confidence also played a role in the initial Arab successes. The uncoordinated and piecemeal Israeli counter-attacks, especially in the Sinai, were indicative of poor planning and excessive confidence in IDF proficiency. The IDF setbacks, the loss of up to 150 tanks in the first three days along the Canal, forced an immediate reappraisal and the replacement of several prominent commanders. More methodical operations were then undertaken, initially on Egyptian conditions.

The reason for this shift was that Arab emphasis on static warfare placed a higher priority on localized firepower superiority over speed and mobility. Movement out of fortified positions was made by infantry armed with self-protection anti-tank and anti-aircraft missiles. Initial attacks by both Syria and Egypt were conducted by infantry divisions only, with their respective two armoured divisions held in reserve. The offensive use of tanks under the Arab concept was best illustrated during Egypt's 14 October offensive. Armoured vehicles were spaced equidistantly behind advancing infantry, leap-frogging anti-tank missile crews forward. Israel had to counter with infantry and smoke-screens, but was eventually able to mass and counter-attack at times and places of her own choosing. With infantry screens, tank breakthroughs were not costly and IDF armoured units then rolled up the flanks or sought tactical advantages in the rear of the advancing line.

The Arab use of armour in a defensive mode was best demonstrated on the Syrian front. On the night of 7 to 8 October, Syria's two armoured divisions moved forward to the first line of defence to cover the retreat of

the three mechanized divisions and to slow the IDF advance. On 9 an 10 October they fought largely from fortified positions, and only bega the general withdrawal on 11 October. Arab tanks in general were out classed by the Israeli armour. The US M-60 tank was superior to th Soviet T-62 in gun range, accuracy, and shell penetration. In ope terrain the Syrians attempted to close quickly, so that their rapid-firin guns could compensate for limitations of range and accuracy. But th M-60 and other Israeli tanks were equipped with a computer range finder that assured a high percentage of first-shot kills. Thus, in ope engagements the Syrians lost heavily. But the remaining elements of an unit were able to fall back to the next fortified position, sacrificing it mobility but strengthening the line's firepower. Thus, Israel was able t destroy over 50 per cent or 850–900 of Syria's tanks and 30 per cent of he aircraft at a cost of 250–300 tanks and 50–60 aircraft and could clair numerical advantages, but she was unable to mount a sustained attac on the Saasa fortifications.

The Arab concept of operation restored the infantry to the forefron after a period of secondary importance dating from the advent of the tank Likewise, the tank was intended to be primarily a defensive weapon, use only rarely for exploitive purposes. (Even in the initial Syrian attack, tan units fanned out prematurely to screen flanks and support infantr seizing ground.) Because of its need for movement, the IDF was com pelled to draw out the Arab tanks and to create its own area of manœuvr and initiative. The success of these operations was due in part to th field maintenance service of the IDF armoured units. Hundreds o captured vehicles and tanks were integrated into Israeli service within a matter of days. Of its own equipment, over 10 per cent of tank losses wer repaired within three days and another 10 per cent within one week. Of Israel's total 900 tank losses, over one third were returned to servic before the ceasefire. This support helped in destroying five Arab arm oured divisions (two Egyptian, two Syrian, and one Iraqi), but Israel wa unable fully to achieve her military objectives—partly because of th Arabs' use of fixed defences and the political intervention of the great powers. (Against fortified positions, incidentally, the artillery of both sides was relatively ineffective; it was able to inflict heavy casualtie against moving columns and entrenched infantry, suggesting a slightly modified role for artillery in the future.)

Other areas

Developments in several peripheral areas also deserve mention. Con tingents from other Arab states generally performed well—although they saw little action on the Egyptian front. They were often under-equipped and sometimes committed piecemeal. On the Syrian front, they contri buted to the containment of the Israeli drive, with the Jordanian 40th

Armoured Brigade retaining its reputation as the best trained tank unit in the Middle East. The degree of command and control and lateral unit co-ordination demonstrated on this front suggests that the establishment of a viable united Arab command is technically feasible.

The helicopter proved highly vulnerable in hostile territory and over open terrain. Both sides attempted to use helicopter-borne commando raids. Almost 50 per cent of the helicopters were destroyed in the air. None of the raids were successful, indicating the limitations of helicopters where they cannot use terrain cover effectively for evasive action.

Little attention has been devoted to the naval battles of the war. Nevertheless, the Israeli Navy played an important role against both Syria and Egypt, reportedly sinking 43 vessels of all classes. The Syrian Navy was rendered virtually inoperable and the Egyptian units, except those blockading the Red Sea in conjunction with Soviet vessels, were ventually confined to home ports. Israeli naval supremacy was the esult mainly of the Gabriel surface-to-surface missile with a 20-mile ange. The Soviet-supplied subsonic Styx missile, mounted on Arab arships, was a relatively easy target for Israeli ship-mounted AA guns nd apparently inflicted no losses. The Gabriel reportedly had a 90–95 er cent reliability and accounted for over 85 per cent of the losses, with e IAF credited with the remainder. After gaining local superiority, sraeli gunboats attacked Syrian and Egyptian port and naval facilities nd struck the air defence systems west of the Canal.

The brilliance and ingenuity of the Israeli crossing to the West Bank is enerally regarded as showing the flash and daring expected of the IDF. t was a hard-fought battle with the Egyptians on the defensive and forced fight Israel's type of war. Nearly one half of Egypt's total 950 tank sses occurred on the West Bank, while Israel apparently lost about 100 nks. The encirclement of the Egyptian Third Army is the stuff of ctical victory; it is not, however, a source of military lessons upon which ture doctrines can easily be constructed.

With this acknowledgement of Israel's localized success, several conlusions can be offered. The infantryman, armed with cheap anti-tank nd anti-aircraft missiles, has regained some of his historic importance. he tank must now be adapted to confront this new anti-tank threat. Vell-constructed defensive positions in suitable terrain, bristling with nti-tank and SAM missiles and supported by artillery batteries, may ullify the mobility advantages of the air-tank team upon which military octrine for the past quarter-century has been based. To restore the nportance of fast-moving armoured forces where geographic limitations ave been imposed, new methods of breaching these positions will have be developed. Unless aircraft can penetrate static air defences, the tility of the tank's exploitive capacity is limited. The most immediate olution would appear to be the redoubling of emphasis on self-propelled

artillery and mobile air defences for its protection. But such interim suggestions merely indicate that the entire doctrine for localized warfare should be re-examined in detail. Indeed, part of the Arabs' pride in the outcome of the war resulted from the growing acknowledgement that their innovations in tactics and adaptations of Soviet equipment were significant contributions to the school of thought arguing that localized wars are governed by concepts which are often independent of general standards and should be studied in a separate context.

What happened to the Year of Europe?

ANDREW J. PIERRE

THE end of 1973 found relations between Europe and America at their lowest ebb since at least the Suez crisis of seventeen years earlier. The Middle East war led to trans-Atlantic recrimination and backbiting which raised new questions about the long-term durability of the Alliance. Europeans saw the United States as too preoccupied with her relations with the Soviet Union and complained bitterly about lack of consultations, as at the time of last October's worldwide strategic alert. They detected in Washington an insensitivity, if not opposition, to Europe's separate interests and to its emerging sense of political identity.

Americans complained about the lack of support of the Allies during a Soviet–American confrontation and in the attempt to restore peace to the Middle East. They saw in European behaviour, not only in the Middle East war but in earlier diplomacy, a parochialism which augured poorly for joint efforts to help solve the common problems of the advanced industrialized states. The energy crisis, fears of a worldwide recession, doubts about the viability of détente with the Soviet Union, and questions about the future course of Western Europe created an unusual degree of uncertainty and tension in the Atlantic connection.

This was to have been the year of redefinition, revitalization, and refurbishing of trans-Atlantic bonds. The Year of Europe and the call for a new Atlantic Charter led instead to misunderstanding and confusion. But the issues which it identified—and helped transform—are too serious and profound to be ignored in a fit of pique or ridicule. They will not go away, although, if left unattended, they could sour and eventually poison

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European–American relations. We must therefore ask some retrospective questions: What led to the Year of Europe initiative? What went wrong? And what of the future?

The Inception

. . . Once upon a time the United States had over half a million soldiers in Vietnam and her foreign policy attention was riveted almost exclusively upon South-East Asia. Europe felt, and was, neglected. Critics argued that America must turn her attention to her highest priority—Western Europe.

. . . Once upon a time the Nixon Administration was mesmerized by its spectaculars in Moscow and Peking. The preoccupation of Washington with super-power politics worried many Europeans who feared the implications of Soviet–American agreements, from Salt to trade. Critics argued that America must turn attention to her highest priority—Western Europe.

. . . Once upon a time economic factors were neglected in the Nixon–Kissinger 'high politics', balance-of-power view of the world. A confrontation was developing between the EEC and the United States, the international monetary system was extremely shaky, John Connally's nationalism was spreading trade protectionism, and the economic interdependency of the Atlantic nations was insufficiently recognized. Critics argued that America must turn attention to her highest priority—Western Europe.

. . . Once upon a time there was a continuing disquiet about Bonn's *Ostpolitik*, the Conference on European Security and Co-operation was neglected in American thought, the future level of US troops in Europe and the American military commitment to Nato was uncertain, and the long-run implications of Salt for Western Europe were worrisome. Critics argued that America must turn attention to her highest priority—Western Europe.

Members of America's foreign policy establishment made trips to Henry Kissinger's office with proposals for a new European policy in hand. Conferences were held which brought together in Europe and in America the remaining elite of the post-war Nato generation.[1] 'Disarray' and 'unravelling' were the words of the moment. For some, the very fabric of Western civilization seemed to be at stake. There was an air of urgency, if not of crisis, in the year before Henry Kissinger made his now historic speech of 23 April calling for a 'new era of creativity in the West'. This was no ordinary speech; the next day James Reston in *The New York Times* compared it to General Marshall's Harvard commencement

[1] Karl Kaiser's imaginative and widely-read *Europe and the United States: The Future of the Relationship* (Washington: Columbia Books, 1973) was prepared for one of these conferences.

address of 1947 inaugurating the Marshall Plan. A broad consensus existed in the late 1960s and early 1970s that Atlantic relations required urgent attention. The climate which seemed to make the Year of Europe highly desirable, almost mandatory, was subsequently too easily forgotten.

First reactions

From the start, the Year of Europe initiative was received with confusion and lack of enthusiasm in Europe. The absence of prior notice before Kissinger's speech did little to allay scepticism. Diplomats and journalists spent weeks dissecting ambiguous phrases in the search for hidden meanings and concealed intentions. Although the European response was not wholly unfavourable, the speech did more to raise suspicions than to present solutions.[8]

Some of the initial comments were shrill, if not mildly paranoid: Washington aimed to restore American hegemony over Europe, it sought to divide the West Europeans by taking actions which underscored their lack of unity, it prepared to negotiate with its presumed allies as if they were adversaries. The concern over a Soviet–American condominium preempting European interest ran deep, and was strengthened by the Brezhnev–Nixon meeting in June at Camp David when the Agreement on the Prevention of Nuclear War was signed. The Allies once more had not been adequately consulted, although many felt the accord dealt with the very essence of their security.

Less emotional responses saw value in taking steps to clear the trans-Atlantic atmosphere, but doubted the need for a new Atlantic Charter. Although Europeans acknowledge the common framework of the problems, many were concerned about the deliberate linkage of economic issues with defence, fearing that the United States would seek concessions in the trade and monetary fields in exchange for the maintenance of her security role in Europe. This was seen as a not so subtle demand for 'protection money'. Some were unconvinced by the somewhat superficial inclusion, without adequate explanation, of Japan in the Atlantic community. (The Japanese were equally mystified.) Many took umbrage at Kissinger's assertion of Europe's regional interests and role as contrasting with America's global responsibilities.

Kissinger's speech might have been better understood if, along with the abstract principles and questions, it had offered some more concrete suggestions as to how the common problems should be approached. Much confusion was due to the fact that little was actually said about the international institutions and mechanisms which would be needed in the overall approach to deal with the web of political, economic, and military

[8] For an excellent early criticism see Ian Smart, 'The New Atlantic Charter', *The World Today*, June 1973.

oblems. The truth was that most of the problems were not new and
ere already the subject of continuing negotiations in appropriate
rums. A new round of trade negotiations was to be launched in Septem-
r in Gatt, reform of the world monetary system was being discussed in
e IMF, and Nato was seized anew with the problem of burden-sharing.
The Year of Europe, moreover, unfortunately coincided with the Year
Watergate. The undue White House interest in a presidential grand
ur of Europe in the autumn, to be capped by an Atlantic heads-of-state
mmit, was disquieting. It suggested that at least one motive behind the
plomatic initiative was to enhance Nixon's presumed strong card of
reign affairs in an attempt to deflect domestic attention away from the
litical quagmire. The Administration examined European responses
th an almost exclusive interest in ascertaining whether they were
equate to permit the trip. At times, whether the President would travel
not seemed to be the mark of success or failure of the Year of Europe!

In spite of the inauspicious beginning, by mid-summer European
reign offices were hard at work preparing drafts of a Declaration of
rinciples, a watered down version of Kissinger's original proposal for a
ew Atlantic Charter. Worried by the trend of Soviet–American bilateral-
m and anxious about the danger which an immobilized American Presi-
ency could pose for their welfare and security, European statesmen cal-
lated that they could ill afford a serious deterioration of relations with
Vashington. The price, however, a condition upon which the French
ere particularly insistent, was the division of the European response
ito two documents. In order to avoid the linkage of economic and secur-
y questions, the European Community and Nato were to issue separate
eclarations. There was to be no connection in negotiations between the
ontinued stationing of American troops on the Continent and possible
uropean economic concessions.

The EEC declaration, agreed upon by the Foreign Ministers of the
line at Copenhagen in September, was a relatively bland statement of
eneralities which omitted reference to defence problems. It was clearly
isappointing to Kissinger who described it as 'lacking in substance'.
he new Secretary of State was reportedly especially irritated by the leak
f the document to the press.[3] An American modification of the text was
ibsequently presented to the EEC members, but it contained the words
nterdependence' and 'partnership' which are unacceptable in Paris.[4]
he esoteric and tedious negotiations continue.

The parallel Nato declaration was started later and is being negotiated
n the basis of a French draft.[5] This document is likely to have more
ibstance, including a reference to the 'just sharing' of Alliance costs in

[3] For the text see *The New York Times*, 24 September 1973.
[4] For the text see *ibid.*, 9 November 1973.
[5] For the text see *ibid.*, 19 November 1973.

exchange for a reaffirmation of the irreplaceable role of American forces in the defence of Europe. But reference to Alliance solidarity in negotiating mutual and balanced force reductions will be difficult to achieve, as will any specific commitment to burden-sharing. Following the experience of the 25 October strategic alert, the final document will no doubt include a strong statement about the need for consultations at times of crisis.

Finally, there is the question of whether a third declaration, tying the two together under a diplomatic 'chapeau', is necessary. Washington would like this in order to bring in Japan and to re-establish the link of economics and security. The Allies are not convinced of the need. Neither are the puzzled Japanese. But if there is to be a third declaration in the American scheme, the Europeans have talked about a still separate two-way European–Japanese document. The European–Japanese relationship, they argue, is of a completely different nature from the Europe-United States relationship and should be recognized as such.

Towards a European Identity

It remains to be seen if this process of laboriously carving out agreed declarations of principles will help solve the multifold problems on the Atlantic agenda, or if it is essentially a cosmetic and rhetorical exercise. What is more certain, however, is that the Year of Europe *inadvertently* pushed the states of Western Europe towards a greater appreciation of the interests that bind them together. In retrospect, 1973 was less a year of European–American revitalization than a year which marked the search for the creation of a European political identity.

The relative slowness of the Europeans in hammering out their response to the American proposal was insignificant compared to the simple fact that they succeeded at all. Relations with the United States has hardly been a subject on which there has been a common European view for the past two decades. An important precedent was established when the Community's Council of Ministers authorized Denmark's Foreign Minister, Mr Andersen, to represent the Nine in talks with the United States. This was the first occasion on which the Nine were willing to speak through a single representative on a political subject. Another advance was made when the Common Market countries presented a joint position at the Conference on European Security and Co-operation.

In the hindsight of history the most remarkable outcome of the 1973 round of declarations may well be the European Communities' statement on European identity. This was an unintended side-effect of the Year of Europe, since the French had insisted that if there was to be an EEC response it had to be matched by a companion piece which affirmed the goals of a uniting Europe. The declaration stressed the need for European independence and the definition of a European identity in relation to

other countries, or groups of countries, while at the same time reflecting French views about the equality and sovereignty of member states and the 'preservation of the rich variety of their national cultures'. It affirmed that

> present international problems are difficult for any of the Nine to solve alone. International developments and the growing concentration of power and responsibility in the hands of a very small number of great powers mean that Europe must unite and speak increasingly with a single voice if it wants to make itself heard and play its proper role in the world.[6]

Thus an American proposal for a new Atlantic Charter produced a new European charter instead. 'I guess we can live with it,' an American official commented, 'but it isn't exactly what Henry had in mind.'[7]

The emergence of a political Europe was also given a boost by the October war in the Middle East. Faced with an Arab embargo on oil, the Nine on 6 November issued a joint statement of policy on the Arab–Israeli conflict. The European support for the Arab position may not have been morally comfortable, but it did represent an overriding national interest due to the Continent's dependence for over 80 per cent of its oil consumption on the Middle East. The factors which shaped American policy were, however, somewhat different. With the United States only marginally dependent on Middle East oil, and seeing the war in the broader context of a potentially explosive Soviet–American confrontation, Washington's interests and priorities diverged from those of Europe. Accordingly, the refusal of several European states to facilitate the supply of American military aid to Israel created a rift in the Alliance, as did the failure of Washington to consult or give advance notification to the Nato allies before placing its forces on strategic alert. Unfortunate expressions of bad temper and mutual recriminations ensued. When the dust had settled it was clear that more adequate consultations and greater attention to diplomatic politesse could have prevented some of the ill feeling. But it was equally evident that a common point of view between Europe and America could not be taken for granted, especially when a third area outside the direct context of European security was involved.

The Quai d'Orsay took shrewd and full advantage of the rift in the Atlantic Alliance to pursue its own concept of Europe and trans-Atlantic relations. Upon its insistence negotiations on the Year of Europe were temporarily suspended. The French Foreign Minister, M. Jobert, in a speech at the Assemblée Nationale, described Western Europe as having been treated during the Middle East conflict like a 'non-person, humiliated all along the line', while the Soviet Union and the United States delivered vast arms supplies to the warring clients and then pursued

[6] *The New York Times*, 15 December 1973.
[7] *ibid.*, 29 November 1973.

secret negotiations towards a cease-fire. He noted that on the one han
Soviet–American agreements and détente had not prevented the crisi
while on the other the United States had not informed or consulted h
allies before taking action. Thus a 'veritable condominium' of the supe
powers existed, Jobert claimed, under which Europe was left helpless.

The conclusion was widely drawn that Europe should press forwa
with economic, political, and ultimately military union. Preside
Pompidou's call for a European summit in the weeks following the w
received quick acceptance, while at the European Parliament in Stra
bourg Chancellor Brandt spoke of the need for Europe to be treated as a
'equal partner' in the Atlantic relationship. 'Partnership cannot mea
subordination,' he commented, adding that 'the dramatic world politic
events of the past weeks have demonstrated how powerless the Europea
states remain as a factor for peace and stabilization in the world as lon
as they are unable to act in unison.'[•]

An important practical step in this direction was subsequently take
with the decision in mid-December to hold regular, twice-yearly summ
meetings of the heads of government of the Nine. In addition, Brandt an
Pompidou have agreed in principle to seek closer West European co
operation in defence. A proposal has been floated by Paris to revive th
Western European Union as the centrepiece of a new European defenc
community. Moreover, the French have expressed interest in co-opera
tion on weapons research and procurement, and in some type of Euro
pean crisis management committee. The format of the WEU would cir
cumvent the problem created by France's absence from the Eurogrou
of Nato. Although the West Germans will be reluctant to partake i
anything which could weaken Nato and the security connection with th
United States, there is no doubt that Bonn, London, and Paris will al
now be giving fresh thought to the defence component of the nascen
political Europe.

Prospects

1973 came to a close under ironic circumstances. The Year of Europe
which was designed to reinvigorate trans-Atlantic relations, had les
success in its avowed intent than in fostering political co-operation
within Western Europe. But the final stage has not been reached—it may
not even be reached by 23 April 1974—for we are dealing here with
major and fundamental relationships in world politics.

The scramble for oil supplies has created worrying fissures within
Western Europe and exposed the fragility of the Common Market. As the
long-term economic consequences of the Arab decision to use oil as a
political weapon became clearer, Paris, London, and eventually Bonn
struck out on their own seeking separate national arrangements with such

[•] *The New York Times*, 14 November 1973.

ountries as Saudi Arabia, Kuwait, and Iran, thereby competing with ach other and virtually ignoring the common framework of the Comnunity. Negotiations are under way on agreements which would provide ome European states with oil for ten to twenty years in exchange for nilitary armaments and machinery. Although the need for intra-European co-operation and a common European energy policy is more vident than ever, the political will which could bring this about appears o be sorely lacking. At the same time France, in deciding to float the ranc outside the currency 'snake', brought one more setback to the ttempt to move towards a common monetary policy. These events, and he failure of the EEC to reach agreement in December on a regional levelopment fund for backward areas, serve as reminders that the dangers of disintegration are ever present.

The future Kissinger–Nixon attitude towards Europe also remains ıncertain. To argue, as Kissinger did in his Pilgrims' society speech in London last December, that 'even today some Europeans have come to pelieve that their identity should be measured by its distance from the United States' is, except perhaps in the case of Paris, to misunderstand present European intentions and aspirations. It suggests a fearful ıpproach towards Europe, which might reflect disappointment with the esults thus far of the Year of Europe initiative but nevertheless is fundanentally unwarranted. In the long run, a uniting Europe will serve American political interests much in the way that was envisaged by Jean Monnet a quarter of a century ago. This is too little appreciated in Washington today. Moreover, the present disillusion with Soviet–American détente and the increasing awareness of its limitations will ınderscore the need for reaffirming the Atlantic connection and supporting Nato as the organization reaches its twenty-fifth anniversary this spring.

It is possible that during 1974 the President will embark on a grand our of Europe signing two or three declarations along the way. A President with the albatross of Watergate around his neck might even proclaim that a much vaunted Year of Europe has been 'achieved'. But his would be a rather hollow claim unless it were the beginning of a long rocess of redefinition of Atlantic ties, for the 'year' should in truth be a *ecade* of creative and careful exploration. An early demise of the Year of Europe would have the detrimental effect of postponing the deep thought hat must be given to the outstanding political, economic, and military ssues. Long life would mean hard toil in the vineyards of the Atlantic genda but might be the only way to maintain the confidence and security f the Western democracies.

Two concepts of the future relationship of America and Europe are resently in competition. One sees Europe as an increasingly independent ctor in international politics and stresses the ways in which Europe's

interests are separate from those of the United States. The European relationship with America is seen as one among many with the Soviet Union, Middle East, Japan, etc., and is not special except for the continued reliance upon the American security guarantee. The other concept envisages progress towards European unity but does not seek to enhance separateness from the United States. It sees no necessary incompatibility between close ties with America within an overarching Atlantic community and the growth of the European political personality. Rather, it assumes that European construction is dependent upon continuing Atlantic co-operation. No doubt these concepts will continue to compete and conflict as European–American relations evolve in the years ahead.

Meanwhile, the Alliance faces two urgent tasks. The dependence of Western Europe, Japan, and the United States, in varying degrees, upon oil from the Middle East and their growing energy needs will require a co-ordination of energy policy even if the Arab oil embargo is totally lifted. Unlike most of the post-Second World War period, what binds these countries together today is less a common threat from the Communist world than their common vulnerability through raw material scarcities and the other needs of high-technology societies. As long as it is necessary, serious attention should be given by the United States to sharing available oil supplies with her allies, especially in the short term with the Netherlands and Japan. In addition, Atlantic co-operation should be sought in the development of alternative sources of energy. Dr Kissinger's call in his London speech for an Energy Action Group is an imaginative step in the right direction. Practical steps such as this would give impetus to the Year of Europe.

Second, the Middle East war indicated the extent to which an agreed point of view can no longer be taken for granted without far closer consultations within the Alliance. The European–American partnership will not survive if it is continuously subjected to a series of shocks such as occurred in recent times, or if there is not a common conception of the relationship between détente with the East and interdependence within the West. Several specific measures should now be seriously considered. Since many threats to the Alliance's cohesion and to the interests of its members may in the future come from outside Europe, joint assessments of potential trouble spots and tensions in the Third World might be made. This could take the form of political contingency planning and might lead to common Nato policies. There should be a broadening of Nato political exchanges, possibly through joint meetings of deputy foreign ministers or the political directors of foreign offices. Crisis consultations should be improved through mechanisms permitting quicker, closer, and higher-level exchanges at times of need. Finally, the economic, foreign, and defence ministers of Nato should meet jointly on a regular basis. It is important to bear in mind, however, that new mechanisms and methods

of consultation will only be successful to the extent that they reflect shared interests, attitudes, and goals.

Final judgement on the Year of Europe cannot yet be pronounced despite the temptation to utter witticisms and caustic remarks. Success will depend on the ability to turn the rhetoric of declarations into the action of accomplishments in dealing with the panoply of Atlantic problems. Creativity and vision will no doubt be needed. But so will a fundamental redistribution of roles within the European–American relationship. The United States should not fear the new political momentum of a more independent Europe. She should recognize that the former American role in Europe is now over and that new circumstances provide a welcome opportunity for the devolution of some past responsibilities. If a new American generation supports devolution, as I believe it should, Europe and America will be able to continue as partners rather than rivals.

A Community policy towards Eastern Europe

JOHN PINDER

The decline of tariffs and quotas as foreign policy instruments has set limits to the EEC's common commercial policy. Community activity should therefore be developed in the fields of industrial and financial co-operation—though progress will depend on changes in Soviet and East European attitudes.

THE European Community's policy in relation to the Soviet Union and the other East European countries has comprised a number of small steps of scant economic or political importance. The common trade liberalization list has been little more than the highest common factor of the member states' lists—with the significant proviso that a member government cannot unilaterally remove a product from it. Some special arrangements have been made for agricultural and steel products. Member governments have informed each other about their bilateral trade agreements with the Eastern countries; and now that, since the beginning of 1973, such agreements can no longer be concluded by the individual member

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governments, they have been negotiating about the consolidation of national quotas into Community quotas. Consistently with current Community form, this negotiation seems to comprise crude horse trading, destined to result in the lowest common denominator of the national positions. Nor will the Commission's recent proposal[1] to the Council, even if the Ministers were to accept it in full, add anything more ambitious to the record. For it proposes no more than mutual consultation about 'cooperation agreements between member states and third countries', and a review clause in such agreements 'in order to take account of the progressive development of the Community's common policies and of the resulting obligations for all member states'.

This exceedingly modest performance contrasts with the vast importance to the member countries of their relations with the East, which is a function of the preponderant size of the Soviet Union compared with the individual West European states. Since it is in economics that the West Europeans are relatively strong, and the Economic Community is their strongest collective instrument, one might reasonably expect that they would use it, as some political compensation for their military inferiority. Yet they have failed to do so. This failure was inevitable in the 1960s, when de Gaulle placed a gulf between France and the other Community members by his policies towards the United States, the Soviet Union, and the Community itself. But while the divergences in defence policy remain wide, the differences among the Nine in their general approach towards relations with the Soviet Union do not seem great enough to stand in the way of common action in the economic field.

Differences of approach do, to be sure, remain. Some adhere to a harder line which stresses political and military defence against the Soviet Union and hence the unity of the West, or of Western Europe, and the securing of as much independence as possible for the other East Europeans. This group tends to suspect that East–West co-operation will strengthen the Soviet Union and weaken the West. The soft-liners, on the contrary, welcome proposals for co-operation and some would pay various prices by renouncing steps towards unity in Western Europe or acquiescing in the consolidation of Soviet control over the East Europeans. But these lines are loosely drawn and in general not far apart, and there is, moreover, movement between them, so that the differences have not prevented the Nine from reaching common positions with respect to the Conference on Security and Co-operation in Europe; and although some of these issues arise, as we shall see, in the discussion about Community trade agreements with the East, this does not seem likely to be a severe constraint on the development of a Community *Ostpolitik*.

[1] *Communication on Problems arising from Cooperation Agreements and Proposal for a Council Decision establishing a Consultation Procedure for Cooperation Agreements between Member States and Third Countries*, COM(73) 1275 final, 13 October 1973.

There are also some differences about methods of co-ordinating foreign olicy. While there is general satisfaction with the work of the Davignon ommittee on the CSCE, the French Government differs from its parters in its zealous insistence on keeping this co-ordination of foreign olicy separate from the Community, in order to ensure that the execuon of any co-ordinated foreign policy remains firmly in the hands of the ember governments. This attitude can be criticized on the grounds that reign policy without instruments is merely posturing, and that it is aive to expect that separate national machines will execute a common olicy consistently and effectively together. Common instruments are quired, and the use of the Community's economic instruments to serve common foreign policy will not be effective unless these instruments are laced directly at the service of such a policy.

While this criticism is convincing in general terms, it applies not just the French Government but to the member governments of the Comunity generally. For the difference between the French position and at of the other eight governments on this particular point is largely rmal. The Community institutions can quite well be used to wield any ommunity instruments that may be relevant to a foreign policy agreed the Davignon committee. The crucial difficulty is that the common ternal tariff, which is the only major instrument of external economic olicy that is unambiguously common, is no longer of much importance; d no member governments seem ready to place other substantial instruents in the hands of the Community. But until they do so, the Commuty is condemned to play a minor role in East–West relations; and the ember countries will consequently fail to put their collective economic eight into the scales which are, strategically, so heavily loaded in favour the East.

ommunity trade agreements

A decade and a half after the establishment of the EEC, member vernments have lost the right to conclude new trade agreements with e East European countries; and by 1975, when the existing agreements ill have expired, any Eastern country wanting a trade agreement will ve to conclude it with the Community. The Commission's long march wn the route outlined in the Treaty of Rome will soon reach its destinaon; and it looks as if, on arrival, not much will be found.

This can conveniently be attributed to the attitude of the Russians, ho have refused to negotiate bilaterally with the Community and have en followed in this by their Comecon partners. Even if the Community n have a common policy without such negotiations, the political signiance seems less; and without the spur of impending negotiations, the uncil tends to postpone difficult decisions indefinitely. But Russian aders have given us more to think about by hinting, in their Delphic

manner, that their behaviour towards the Community might change if the Council for Mutual Economic Association were accorded status in negotiations similar to that of the Community.

A hard-line view of this suggestion is that negotiations in which Comecon is involved should be avoided because they would enhance the authority of Comecon and hence the hold of the Soviet Union over her partners. This view is supported by the argument that trade agreements have anyway become redundant. The common external tariff is generally low and the Comecon countries enjoy most-favoured-nation treatment. In all the Community countries except Italy, quotas are by now restrictive on only a hard core of products competing with domestic industries that are in genuine difficulties; and where necessary the Community can liberalize them without external negotiations. It is indeed doubtful whether trade agreements are in any real sense the result of negotiations, since the Western side gets very little out of them. Perhaps an order may be extracted from the Eastern side for an industry, such as computers, which a Western government wants to promote. But this is more likely to be done in the context of a co-operation agreement. If there is a loser from the absence of trade negotiations, it is likely to be the Eastern partner. Nor should the loss be much. Most of the East Europeans except the Soviet Union do in fact have informal dealings with the Community over trade, and a formal forum through their participation in Gatt, by which means difficulties can if necessary be dealt with. And if they do suffer anything, the fault is theirs for refusing to accept our right to act as a Community in trade negotiations.

Eagerness to promote the Community as a factor in world politics has induced some to recommend a much harder line, which would put pressure on the East Europeans by excluding any measures to deal with their problems until they are ready to negotiate directly with the Community. But apart from the dissonance of such a policy in the contemporary climate of détente, it has the disadvantage of hitting the East Europeans hardest, followed by the West Europeans who would lose trade to America and Japan, followed at a distance by the Russians, who, although responsible for the negative attitude towards the Community, would lose little owing to their low dependence on exports—which, being mainly raw materials, would encounter few problems anyway. So this degree of hawkishness has little support.

Likewise there seems to be little support for the extreme doves who would welcome negotiations with Comecon on the grounds that this would help to stabilize Eastern Europe by reinforcing the Soviet grip on the area. But moderate doves have a strong argument in favour of negotiations in which Comecon is involved. This is that the Soviet Union, which since 1968 has been particularly anxious about the stability of Eastern Europe, would be reassured by the participation of Comecon

negotiations with the Community, although this would imply le or no increase in effective Soviet control; for the economies of : East European countries are different enough, and the resistance of at st some of them to Soviet encroachment is strong enough, to ensure ıt such negotiations would be about somewhat abstract questions of nciple rather than substantive matters of trade. Negotiations about nciples would do no harm and might even help to provide a more ional framework for the substantive bilateral negotiations. They would ıs offer an elegant way for the Russians to escape from their cul-de-sac non-recognition, for the East Europeans to reach the point of bilateral gotiations with the Community about their trade problems, and for : Community to enhance its role as an actor on the international stage.

If the Comecon countries were to propose to the Community negotia- ıns along these lines, it would be hard for moderate hawks to argue ainst acceptance. Differences among the members would, on the other nd, make it difficult for the Community to agree to propose such gotiations to Comecon. But since it is now widely accepted that trade gotiations are no longer very important, the discussion is likely to be rly relaxed, and its outcome to be of more diplomatic than economic gnificance. It is the decline of tariffs and quotas as instruments of policy, ther than the obstructiveness of the Russians, that has removed the citement from the long-awaited arrival of the Community's common mmercial policy.

he GDR

The members of the Community have agreed, in the Rome Treaty's otocol relating to German Internal Trade and Connected Problems, one major exception to the projected common commercial policy: the riff-free entry of goods brought into the Federal Republic from the erman Democratic Republic. As a result of discussions in the Council the EEC following the widespread international recognition accorded the GDR, it was agreed that this arrangement should continue. The her members wisely decided not to interfere in a highly-charged poli- :al issue which is regarded in Germany as a vital national interest and nose treatment is the result of a delicate internal political equilibrium. does not seem that any collective arrangement will be made between e GDR and the other eight, and governments have been negotiating eir own trade and co-operation agreements with the GDR.

While recognizing the political and constitutional problems raised for e Federal Republic by proposals to change the status of this trade, and e imprudence of any pressure on the Federal Government to do so, it perhaps legitimate for an independent writer to ask if the Germans ay eventually alter their view of the problem. It seems, on the face of it, at the present arrangements imply a fairly heavy subsidy by the

Federal Republic to the GDR, and a loss of revenue to the Community due to the tax-free entry of goods into the Federal Republic. It is for the Germans to judge whether they secure an adequate return from the GDR for their generosity. But as far as the Community is concerned, there is no evident reciprocation by the GDR of the fiscal advantages and the exceptional commercial treatment afforded to her. In general terms, one might hope that the East Germans could be persuaded to be among the more helpful members of Comecon in their attitudes towards the Community. One may at the same time fear that they will see no advantage in being helpful so long as the Community grants these benefits unconditionally. Is there a chance that the Federal Republic would, in the future, see the Community's arrangements as a legitimate subject for negotiation with the GDR?

Export credits, convertibility, and multilateralism

Export credits have, like import quotas, been an aspect of commercial policy which has appeared on the Community's agenda from time to time. They appear again in the Commission's recent Proposal to the Council,[8] where it is recommended that credits should be one of the subjects for consultation among the member governments, in order to avoid the competitive bidding up of terms.

As with import quotas, a mutual control over the terms of credit insured by or on behalf of member governments has become a less interesting subject over the years. The rise of the co-operation agreement has engendered a more positive attitude towards the provision of longer-term credits, as a legitimate accompaniment to trade and technological transfers; and the emergence of America and Japan as strong competitors in East–West trade has undermined the scope for the Community to exercise a unilateral control over the terms.

A consequence is that negotiations with the Americans and Japanese have become a more interesting field for Community action than attempts to establish a unilateral control; and the Commission's document recognized that Community limits on the terms of credit officially issued would 'facilitate discussions with the other industrialized countries'. Another consequence should be a shift of Community interest to other aspects of financial relations with the Comecon countries.

One such aspect of financial relations with the East which is frequently discussed is currency convertibility. It is rightly pointed out that there are great obstacles to the convertibility of the Eastern currencies: the arbitrariness of their price formation which restricts the benefits of multilateralism; the limited value of convertibility of currencies without

[8] *op cit.* This proposal also refers back to COM(72) 1526 of 6 December 1972, in which the Commission proposed that the Council should decide to limit the duration of credit eligible for official insurance, and to observe a minimum interest rate.

'convertibility of goods', i.e. the right to use a country's money to buy the goods you want there; and the 'softness' of the Eastern currencies in relation to those of the West. The Comecon countries themselves, in their long-term Comprehensive Programme,[3] did no more than agree that the conditions for convertibility within the group should be established by 1980. But it would be a pity if the subject were put on a shelf until then.

One reason is that the scope for steps towards more convertibility and multilateralism does not lie only on the Eastern side. Although the Western currencies used for East-West trade are, for the most part, formally convertible, so that the Rumanians could, for example, in theory use their earnings of pounds to buy goods in the Federal Republic, the East Europeans do in practice endeavour to balance their trade bilaterally with each West European country (allowing for the use of credits to run temporary deficits). One motive is no doubt conservatism on the part of East European planners, who have the habit of working out their foreign trade plans in this way. But a number of examples, such as the Soviet Union's trade with Britain, show that planners are not unable to deal with trilateral, or even multilateral, trade. The USSR has traditionally earned a large surplus in her trade with the UK, which she has spent in overseas sterling area countries such as Malaysia and Australia. The Soviet planners doubtless originally regarded the sterling area as a single trading unit and balanced their trade with the whole rather than the parts; and they have continued to do this, although the sterling area can in no sense be regarded as a single economic unit.

Some other trilateral flows of trade have been developed by the East Europeans, and it seems unlikely that the constraint which imposes bilateralism on their trade with West European countries lies solely in their own minds. There is reason to believe that at least some Western governments have discouraged them from making use of the formal convertibility of Western currencies to the point where the Western country would incur a deficit with an Eastern country. Any such pressure is a non-tariff distortion of trade which is unjustifiable, and probably illegal, if it prevents an Eastern country whose exports have earned the currency of one Community member country from using it to buy goods in another member country. It follows that no member government should try to stop an Eastern country from earning a surplus on their bilateral trade and spending it to cover a deficit with the rest of the Community. In other words, nothing should be done to discourage the East Europeans from regarding the Community as a single unit for the purpose of planning their foreign trade. On the contrary, since it is politically so desir-

[3] For details of the Comprehensive (or Complex) Programme, set up in July 1971, see Michael Kaser, 'Comecon and the new multilateralism', *The World Today*, April 1972.

able that the Soviet Union should come to look upon the Community as a political entity of her own size, with which she does business on equal terms, the Community should positively encourage the Comecon countries to exercise their right of convertibility among the Community currencies.

This simple step has doubtless not been taken because the member countries with weaker balances of payments are reluctant to risk the possibility of a new deficit in their trade with the East. But if one lesson has been learnt from the conflict of the Community over the Regional Fund, it is surely that the Germans must see some benefits from progress in the Community, over and above the initial massive benefit of internal free trade, if they are to make their contribution to further progress. The Germans, not only through their strong export performance but also because of their great interest in trade with the East, are the most likely to gain from what might be called 'unilateral convertibility' within the Community. A decision to promote it would, therefore, not only help to establish the Community as a substantial force in relations with the East, but also comprise a useful part of a package deal for progress within the Commmunity.

Price formation

Various suggestions have been made for Western support for a fund that would help the Eastern side to achieve convertibility too. But the slow progress envisaged in their Comprehensive Programme indicates that such proposals are premature. It is better at this stage to examine the root of the problem of multilateral trade between East and West: the arbitrary formation of prices in Eastern Europe. For it is hard to envisage a full development of multilateral trade where trading partners have no confidence that prices reflect costs.

One way in which the Community can promote trade based on rational pricing is to recognize how far the Hungarians have moved in this direction by abolishing quota restrictions on imports from Hungary. The Community and other participants in Gatt have in principle acknowledged, in the negotiations on Hungarian accession, that the Hungarians have adopted a market economy, but the quotas have in practice been temporarily retained. The Community should remove these quotas, and press other Gatt members to do the same, for any products where there is reasonable evidence that Hungarian prices reflect costs.

The other Comecon countries, which have retained the directive system of economic management, have not yet managed to relate prices convincingly to costs. But it is not in principle impossible for them to do so; and most have made substantial progress in the course of their price reforms. In order to be able to judge in what conditions the prices of directive economies could be regarded as valid indicators for international

trade, and where the Comecon countries stand in this respect, the Community could encourage independent research into the subject. Comecon itself has been undertaking a study of price formation among its members, and the Community should also be ready to examine the problem jointly with them, perhaps within the Economic Commission for Europe. Few concrete results could be expected in the short run. But prices are the basic indicator for trade; and a radical improvement in economic relations would be possible if mutual confidence in the systems of price formation could eventually be developed.

Industrial co-operation

The sector of economic relations that now excites the most official attention in both Community and Comecon countries is industrial co-operation, which is the subject of the recent Commission proposal to the Council. Aware of reluctance in the Council to give the Community new things to do, the Commission has made the trade aspects of such co-operation, in which the Community is already interested as of right, its major argument for the adoption of the consultation procedure.

This is, no doubt, one reason why the proposal is so modest; for the implications of industrial co-operation for commercial policy seem to be slight, such co-operation being more akin to investment than to trade. Indeed, perhaps the clearest explanation of co-operation is the discovery of the East Europeans and their Western partners—at a time when the East European appetite for Western technology was growing faster than their earnings of Western currency through exports—that many of the technical, financial, and even managerial transfers which normally comprise international investment can be made without the element of permanent ownership and control. But the Community has not been given powers in relation to external investment, and its functions would have to be extended to enable it to deal effectively with industrial co-operation.

A second inhibition to Community action in this field is the fact that for most industrial co-operation projects there is no practice of official intervention in, for example, the Federal Republic or the United Kingdom, though there is in France, with her strongly étatiste tradition. This reduces the scope for Community intervention; and the differing traditions are an obstacle to Community action even with respect to projects that are important enough to require government intervention in the countries which are non-interventionist in principle.

There are, however, some projects for which Community action may be essential if enterprises from the Community are to take part in them at all. These are the vast deals, amounting to $5–10,000 m., which the Soviet Union has discussed (and in one case concluded), for the most part with American firms. It is not likely that any single member country of the Community could provide the industrial or financial resources for such

projects, nor that any consortia of Community enterprises could undertake them without official support. Both diplomatic and financial support would have to be provided collectively; and the Community is the obvious collective instrument.

Doubts have been expressed about the viability of some of the big projects mooted by the Russians, in particular the extraction of oil from Siberia. But the new price of oil, and recent experience about the security of supply from the Middle East, may well justify a different assessment. Similar considerations may apply, if less forcefully, to other projects for raw material development.

The attractions of such schemes are not only economic. By participating in them, the Community would make the political point that the Soviet Union would benefit from interdependence on terms of equality. The degree of interdependence would, of course, be limited to what seems reasonable to each side in the light of security, but the mutual benefit could nevertheless be substantial. If the Soviet Union persists in refusing to deal with the Community, projects in this form would not materialize. But the Community would begin to make its political point even by taking the Council decisions necessary for its participation in co-operation projects; and it does not seem likely that the Soviet Union and the other East Europeans will boycott the Community indefinitely.

The other fields for Community action in relation to the East—the common commercial policy, moves towards trade agreements or towards convertibility—are interesting but not at present of great substance. The member governments could, however, open up the prospect of a really substantial Community *Ostpolitik* if they would give the EEC the powers and the financial resources required for effective participation in big co-operation projects.

India and China: adversaries or potential partners?

ASHOK KAPUR

China no longer sees India merely as a pawn in the Soviet game and both countries share apprehensions about super-power imperialism in the wake of détente.

Two perceptions in the West about relations between India and China—that these states are inevitable competitors in Asia and that this competition ought to be nurtured to promote the cause of the free world against the Communists—are now in process of changing. During the 1950s and the early 1960s, the argument that a strong India should become a counterweight against China, and that India's development ought to be supported on this basis, was used by several US ambassadors in India who sought a focus for America's India policy at a time when Washingtonian perspectives were coloured by views about India's poverty, her non-alignment, or the rudeness of her leaders. Often the ambassadors themselves did not believe in the arguments they tried without success to press on the Washington bureaucracy. But if these arguments were politically irrelevant at the time they were made, they are even more so today when Indian and Chinese perceptions of each other have changed and the groundwork for an India–China dialogue has been laid.

Pandit Nehru was always alert to the danger from China. The director of Indian intelligence during 1950–65 tells us that in 1952 he was instructed by Nehru personally to regard China as an intelligence target along with Pakistan.[1] But at the same time the Indian diplomatic approach was to argue that Asian security was not simply a super-power game and that China and India had a role to play.[2] It is noteworthy that India did not see Japan as a source of political influence in Asia, except in Northern Asia. The Japanese seemed too intimately involved with the US through security and commercial ties and thus had little independent leverage with the Communist powers. It was in the context of such an appraisal that India thought of China as a potential foreign policy partner who

[1] B. N. Mullik, *The Chinese Betrayal* (New Delhi: Allied Publishers, 1971), p. 84.

[2] Jawaharlal Nehru, *Indian Foreign Policy, Select Speeches, September 1946–April 1961* (New Delhi: Government of India, August 1961), p. 305.

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shared a concern to moderate the effects of super-power imperialism in world affairs.

The 1962 crisis in Sino-Indian relations has been examined at length and the usual explanations need not be repeated here. However, Neville Maxwell's controversial book on the war offers some useful, albeit inconclusive, insights. His major thesis is that China reacted throughout to Indian moves.[3] But he is unclear about the nature of India's provocation: did she provoke China militarily in 1962 or during 1959–62? And/or, did Indian acceptance of American and Soviet assistance constitute 'provocation' inasmuch as this behaviour aroused Chinese suspicions about the danger of encirclement inherent in the collaboration between Indian 'reactionaries', the American 'capitalists', and the Soviet 'traitors'?[4] These points touch on a salient question in the present article. Even if one argues that India may have provoked China militarily before or during the 1962 crisis, the question remains: did India ever try to encircle China, or was China's fear due to mis-perceptions on the part of her decision-makers? More importantly, have the Chinese leaders recently altered their view of the Indians as stooges of the super-powers?

Changing Chinese perceptions

The history of China's involvement in the Bangladesh crisis illustrates the view that Peking made a gross error of judgement about India and is now trying to rectify this. China's behaviour in 1971 was based on a mixture of the following components: that nothing would happen militarily because the Indians were simply talkers; that the United States was there to support Pakistan; that Pakistan was in a strong position militarily; that Bangladesh was not capable of fighting etc. On this basis, Peking thought it was backing the winner. Furthermore, the anti-India reasoning was shaped by China's geopolitical thinking. When India signed the Indo-Soviet treaty in August 1971, this strengthened the Chinese belief that she was playing the Soviet game of encirclement. India, therefore, had to be stopped: but while China supported Pakistan to the last politically, she did not do so militarily. Indeed, during the 1971 war there were no Chinese troop movements on the border. Of course, the same had occurred during the 1965 war, but with one significant difference: there had then been at least one Chinese ultimatum to India, even if in retrospect this turned out to be toothless. In 1971 there was no such ultimatum.

The dynamics of Chinese decision-making during and after the 1971 war point to two interesting features. First, having backed the losing side, the Peking leadership could not easily retreat from its original line that Bangladesh was created by the Indian 'reactionaries' and that develop-

[3] See *India's China War* (Bombay: Jaico Publishing House, 1971), p. 273.
[4] *ibid.*, pp. 270–1, 275, 285–6.

ments in the subcontinent represented a part of the Soviet game of encirclement. The problem of saving face led China to encourage Pakistan to take a tough stand on the question of recognizing Bangladesh. Such encouragement became apparent when Mr Bhutto failed to implement his promise made at the Simla summit to recognize Bangladesh by August 1972. China's veto of Bangladesh's UN membership was also a logical consequence of her earlier policy towards India.

The second feature, which became apparent more recently, suggests that China's style of thinking has changed, and this in turn has altered her assessment of India's external behaviour. The errors in China's thinking about India occurred for several reasons. In part, Chinese diplomats serving abroad have not had the courage to report accurately on local developments because what they wanted to say did not always fit the latest official line. Of course, this is a common problem and, in a sense, not peculiar to Chinese decision-making. But in so far as inaccurate and incomplete reporting reflects a lack of training and an inability to identify and assess developments irrespective of ideology, it has particular relevance to China, as does the fact that Chinese diplomats have been very reserved socially and thus unable to immerse themselves completely in the local diplomatic scene.

Though such problems in China's decision-making still persist, a fundamental change in her perceptions about India has occurred in a roundabout way. Because she has been obsessed with the Soviet threat, she has increasingly solicited Western Europe, trying to foster the feeling that the Russians are untrustworthy and that European defences must be kept at a high level to guard against the Soviet threat. It is in the context of such discussions that foreign visitors to China (particularly West Europeans) have been able to talk openly to the Chinese. For example, the British (whom the Chinese respect for their tough stand in expelling Soviet diplomats in large numbers) have told the Chinese leaders that the Indians may be difficult but are nobody's stooges. Similar messages have been conveyed to Peking by Scandinavian and Italian leaders. Consequently, the idea that India is a part of the Soviet policy of encirclement has changed; that is, the obsession with the Soviet threat has not changed but the perception that the Indians were a part of this scheme has.

Parameters of Sino-Indian dialogue

A change in China's perceptions points to a change in her strategy towards India, but it is not clear if her policy aims in the subcontinent have also changed. The very fact that the Indians are not thought to be Soviet stooges makes it less urgent for China (or the US for that matter) to give support to Mrs Gandhi's Government. The logic of Chou En-lai and Henry Kissinger on this point is identical. It suggests that, even though the 1971 crisis bruised egos in Washington and Peking, its out-

come did not necessarily change the nature of US and Chinese interests. These are described in a memorandum from Mr Rogers to Mr Nixon of 7 July 1971, which was also sent to the US Congress:

> Our interests in the South Asia region are to promote the peace and stability of the region; to prevent *unfriendly foreign powers* from becoming dominant in the region or in any country in the region; to prevent the development of radical or military nationalistic regimes inimical to the US; to promote economic development; and to protect US citizens and US commercial and investment interests. (Emphasis added).

This demonstrates that Soviet involvement in the area entails American and Chinese policy responses, even though China, unlike the US, has no economic interests in the subcontinent. Yet one must also note that American and Chinese strategies converge but are not wholly identical. It is precisely because China, owing to the Sino-Soviet border dispute, is more obsessed with the USSR than is the US that she is now willing to route her diplomacy in the Indian subcontinent via Delhi. Thus, while China is ready to mend her relationship with Mrs Gandhi, the American stance is still one of 'wait and see'—with an improvement of Sino-Indian relations as part of the waiting period.

The possibility of such an improvement relates to a political rather than a territorial adjustment. It does not mean that China recognizes India's special position in the subcontinent, or her status as a middle power in world affairs. But it does mean that she is willing to recognize that she was mistaken in her view of the basis of the Indo-Soviet relationship; that she is willing to be constructive in recommending an improvement in Indo-Pakistan bilateral relations along the lines suggested by India; that she is willing to improve her relationship with Dacca to offset the danger of growing Soviet involvement in that area; and finally, that she is willing to identify herself with the position of Sri Lanka and India on the need to keep the Indian Ocean free from super-power rivalry.

The change is small but its significance goes beyond the bilateral relationship. It reveals a difference in Chinese and American policy premises and verbal strategies. Two dimensions are involved here. First, American rhetoric in recognizing India's special position in the subcontinent is actually a disservice to India, since it usually invites resentment from her neighbours who do not care to contemplate the implications of the growth and formal recognition of India's special position. China makes no such assertion, and consequently her rhetoric is more helpful to India. Secondly, even though China and the US share apprehensions about the danger of Soviet involvement in the subcontinent, the identity of views ends there. In South-East Asia, where China aspires to pre-eminence, Soviet and American strategies are parallel: namely, according to the Chinese, America has compromised by recognizing that both superpowers have a role to play in Indochina and that there is no fundamental

conflict of interest in the region between them. In other words, American strategy has not been to exclude the USSR from Indochina (as China wants) but rather to encourage her diplomatic involvement there in the name of promoting super-power détente and regional peace. Considering that the US is a secondary factor in Chinese foreign policy, the institutionalization of the Soviet presence is hardly reassuring to China. And it is precisely because India has also argued against the danger of super-power imperialism that her rhetoric strikes a sympathetic chord in Chinese hearts.

Indian and Chinese interests re-assessed

The picture of an 'eternal' and 'historical' Sino-Indian friendship was plainly overdrawn during the 1950s; in retrospect the Nehru-Chou rhetoric must be seen as a gigantic verbal over-response whose aim was to encourage the development of a Delhi–Peking diplomatic axis. The 1962 crisis temporarily arrested this trend, but it is now possible for both powers to by-pass the effects of the 1962 war and to recognize the need to combine tacitly against the super-powers. Such tacit co-ordination suggests that the India–China relationship was already structured before the 1962 crisis and that policy-makers can resume it now, leaving academics and legal experts to decipher the causes of the war. This approach also suggests that both countries need not respond to each other simply because of the acceptance of the theory of peaceful coexistence by President Nixon and Henry Kissinger in the Peking and Moscow summits. Both India and China were well ahead of the super-powers in expounding that theory in 1954.

Rather, India's and China's response to each other seems to be rooted in fear of the implications of détente between the super-powers. China fears Moscow's military threat. She hopes that the Europeans and Americans will keep Moscow busy in Europe and the Middle East, but the impact of her argument so far is marginal. More importantly, peaceful coexistence with Washington encourages the flow of US technology and intelligence into China, indirectly helping her to shape her confrontation with Moscow. But because of the asymmetries between Soviet–American power in Salt I on the one hand and China's power on the other, and given Sino-Japanese hostility in East Asia, China must continue to walk a diplomatic tightrope to keep the Soviet–American–Chinese diplomatic 'triangle' working.

India, like China, fears the danger of super-power imperialism arising from détente but, unlike China, she faces no overwhelming military threat. In 1962 the Chinese Ambassador told India's Foreign Secretary[5] that India could not afford to fight on two fronts. Today, the realities are

[5] Harold C. Hinton, *Communist China in World Politics* (Boston: Houghton Mifflin, 1966) p. 288.

different: India is reasonably secure on two fronts while China is less so vis-à-vis the Russians. Yet Mrs Gandhi is concerned about the dangers of dependence not on the USSR, but on her Communist supporters in the Congress Party, who have chosen the parliamentary road to power. She has no intention of replacing pro-Soviet Communists with pro-Chinese Communists. Neither is it a question of increasing India's dependence on Washington. The PL-480 issue is being wound up, as is the 'aid' relationship. The US Ambassador, Mr Moynihan, has not made much of an impact on Delhi's thinking because he is still urging that India accept private capital and the principle of US control over decision-making in collaborative arrangements. The option which is emerging is the one voiced by Mr Whitlam, Australia's new and imaginative Prime Minister: that India and China, along with other Asian states, move towards regionalism on the assumption that regional rather than international powers should manage the movement towards peaceful change in Asia.*

It is in this context and in the context of the India–China dialogue that Mr Brezhnev's recent visit to Delhi can be assessed. Clearly the 15-year economic co-operation agreement signed by the two countries consolidates bilateral economic relations between India and the USSR. However, the effect on the political aspect of the relationship remains unclear. In the course of their conversations, Mr Brezhnev and Mrs Gandhi discussed Moscow's preference for an Asian collective security system, but the joint declaration issued on 30 November 1973 at the conclusion of the talks did not mention it—indicating that there was no agreement on the issue. The Soviet leader's statement at the airport stressed the 'unbreakable friendship' between India and the USSR, but students of Sino-Soviet relations know that such friendships can be fragile if a superpower becomes too insistent in its demands or if the political basis of the arrangement changes. Taking such possibilities into account, it would seem that the emerging focus in India's policy behaviour will be on moderating the Indo-Soviet friendship by balancing Indo-Soviet and India–China relations.

* Mr Whitlam described the aim of regionalism on 26 January 1973, as follows: 'to help free the region of Great Power rivalries that have bedevilled its progress for decades and . . . to insulate the region against ideological interference from the Great Powers'. Here it was emphasized that the existing regional arrangements were unsatisfactory. (Cited in statement to the House of Representatives, 24 May 1973, official text, p. 9. The goal of regionalism is also outlined in the Indo-Australian Joint Communiqué issued on 6 June 1973.)

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Notes of the month

THE EEC: PROSPECTS FOR RENEGOTIATION

THE return to office of a British Labour Government, for whatever length of time, has placed firmly before the European Community the matter of 'fundamental renegotiation' of the terms of Britain's entry, as promised in the Queen's Speech of 12 March 1974. Even were a Conservative or coalition government to take office before renegotiation could be carried out, the fact that it had been so nearly attempted, and appropriate expectations aroused in Britain and other Community countries, would be bound to have some influence on future Governments and Oppositions alike.

Labour is pledged, in its election manifesto, to renegotiation on the following main points: 'major changes' in the common agricultural policy (CAP) to allow low-cost non-Community food imports to Britain; a fair net British budget contribution; no fixed sterling parity, as required for economic and monetary union (EMU), if it meant increased unemployment; Parliament to retain power over regional, industrial, and fiscal policy; an agreement on capital movements to protect the balance of payments and employment; access to the British market by Commonwealth and other developing countries to be safeguarded; and no VAT harmonization involving taxing 'necessities' (presumably food). The results of renegotiation, successful or otherwise, are to be 'put to the British people' (Queen's Speech), in a consultative referendum or general election.

The three major areas where the Accession Treaty requires that Britain progress, by five or six steps, to complete conformity with the Community by 1978 are agricultural prices, the customs union, and the 'own resources' budget system (with certain restraints in 1978 and 1979). Of Labour's points for renegotiation only the interdependent subjects of the CAP and the budget appear to conflict formally with the Treaty. Moreover, the sanctity of the Treaty should not be exaggerated: for instance, it contains numerous provisions for incorporating new member states into weighted majority voting arrangements, which the British and French Governments repeatedly declared, in advance, were not to be observed. Britain has to accept Community provisions liberalizing capital movements, but these already co-exist with national defensive measures. The remaining renegotiation points relate largely to proposals not yet accepted by the Community, or to the future course of ongoing Community policies. Safeguarding developing countries could mean seeking British exemptions from the common customs tariff, but alternatively could be achieved by development, already being considered, of the

Community's whole structure of tariff preferences, both particular (bilateral or regional) and generalized.

The Conservatives made no specific commitment on VAT harmonization and, since floating sterling in June 1972, after only one month's attachment to the Community 'snake', took no concrete steps towards EMU, now indefinitely postponed by the floating of the French franc, and swamped by the impact of higher oil prices on West European balances of payments and the whole world monetary system. Labour's commitment to retain parliamentary authority relates only to policy; their manifesto, though alleging 'draconian curtailment' of Parliament's powers by the Conservatives, says nothing of amending the European Communities Act which enables the Community institutions to legislate for Britain.

How vigorously the promised renegotiation is pressed depends on both the British political situation and the Community response. On 'Europe', Conservatives and Liberals are officially united. However, this of itself need not oblige the minority Labour Government, if it survives, to soft-pedal its renegotiation policy. It has to conciliate supporters as well as opponents. Furthermore, renegotiation is likely to be favoured by the Scottish and, less warmly, the Welsh Nationalists, and nearly all the Ulster MPs. All Labour members are pledged to it, with greatly varying enthusiasm, whereas on the Conservative side there has been no corresponding reconciliation between the small hard-core anti-market minority and their Front Bench. Thus a vote on renegotiation, taken in isolation, could produce a majority in favour. However, both sides have reasons to avoid such a confrontation. Labour, in order to continue in office, needs some good will from the Liberals, and indeed the Conservatives, while the pro-Community parties have to take account of the continuing unpopularity of membership in the country, as they very plainly did during the election, when the 'pros' were on the defensive.

The Conservatives claimed in their manifesto to be already playing a full part in 'renegotiation of the Community in the sense of reforming its practice and redefining Britain's place in it', asserting against Labour only that 'withdrawal, which is what a section of the Labour Party seeks, would be a disaster'. The Liberals, whose votes saved the European Communities Bill, declared that 'the present Common Market structure is not what we voted for', and accused the Conservatives of 'meek compliance with the interests of the French Government'.

Clearly, we are all renegotiators now. Conservatives and Liberals are committed to reject not renegotiation but withdrawal, for which Labour has sought no mandate. They have treated fundamental renegotiation not so much as undesirable as impossible. They can hardly seek to prevent Labour from trying to correct the generally admitted deficiencies of the CAP and the budget system, nor does the Government require positive Parliamentary authorization for renegotiation. A greater risk for Labour

would be to renegotiate with only meagre results, and be mocked by Conservatives claiming they could have done as well or better. An ideal outcome for Labour might be to secure convincing improvements, and make them a strong point in their next election programme. Alternatively, they could expect a politically useful majority in a referendum, if time allowed. Quite possibly renegotiation will not be completed before the election. The least probable development is a breakdown of renegotiation and a popular vote on withdrawal. And only this would involve a fundamental clash between Labour and the Conservative and Liberal parties.

Responsible Community reactions to Labour's programme display strong resistance to actually changing the Treaties, but also widespread inclination to help Labour fulfil its renegotiation commitment credibly and, more positively, to turn the situation to real Community advantage —the Germans, for instance, want some CAP reform. The British popular identification of Community membership with rising prices, damaging to Conservatives, sets Labour the reverse problem of making renegotiation yield lower prices. Its manifesto's 'low-cost producers outside Europe' are currently hard to find. Only in butter and in beef could Britain's next seasonal step towards Community prices immediately hit consumers. Labour is committed to halt further 'food taxes' pending renegotiations, and the Government may seek and attain postponement of these price rises on grounds of the common interest in fighting inflation.

If high world food prices continue, British consumers could be as well or better off within as outside the Community: levies would become largely unnecessary, while customs, also part of the Community's 'own resources', would be curtailed by cuts and exceptions in the common tariff. Simultaneously, less expenditure would be needed on agricultural export subsidies and support buying. All this, especially if combined with more non-agricultural Community spending, could greatly lighten British membership costs in both food prices and budget payments. However, difficulties in supporting farm incomes through end prices will remain and be exacerbated by inflation. Furthermore, world prices, which have unexpectedly risen, could unexpectedly fall.

Labour's stated approach to renegotiation is 'communitarian' inasmuch as it implies reform of Community policies rather than British exemptions from them, though these seem more easily attainable. There are strong motives to maintain good relations between Britain and other Community countries: Britain's need for international financial assistance, the strengthened case for British and Community self-sufficiency in food, the common problems of dealing with the oil producing states, and the continuing deterioration of relations with the United States. All these point to a renegotiation aimed at success, however modest, rather than withdrawal.

S. Z. YOUNG

THE ISLAMIC SUMMIT

It is a remarkable tribute to the political skill of Pakistan's Prime Minister, Mr Bhutto, that the most solid achievement of the Islamic summit conference, held at Lahore from 22 to 25 February, was the reconciliation of Pakistan and Bangladesh. For the rest, the summit provided little more than ringing reaffirmations of Arab demands for the vacation by Israel of occupied territories and for the restoration of Jerusalem to Muslim control. Well-known differences within the Islamic world were glossed over.

The span of Muslim countries remains formidable, running from Morocco to Indonesia; even more impressive in comparison with other faiths, Islam is still spreading, particularly in the southward tide across Africa. If one looks back to the last Islamic summit, held at Rabat in 1969, the prospect for concerted action would seem better now. When the Islamic world first tried to pool its leadership at the Rabat conference, the meeting was conceived in impotent outrage at the burning of the Al-Aqsa mosque in Jerusalem. The Arab achievements of the 1973 October war, though limited, and the effective use afterwards of the oil weapon changed all that. At Rabat, there were four monarchs, five presidents, two prime ministers, and three foreign ministers; at Lahore, six monarchs, twelve presidents, six prime ministers, and eight foreign ministers. However, India, who had been asked to attend at Rabat and then refused admittance, was not invited this time, despite her population of seventy million Muslims.

The foreign ministers, who met before the heads of state, had limited the agenda to one item: the Middle East. But at the summit the non-Arab states managed to direct the discussion to a subject closer to their hearts—the effect of the higher price of oil on their countries. The Arab oil producers were not keen that the conference should tackle the question of the oil boycott or oil prices. They let it be known that it was their business alone and kept quiet when the issue was raised, merely saying that they had forgotten to bring their financial and economic experts and were very sorry. But Mr Bhutto, in his opening address, was instrumental in directing the attention of the summit participants to the plight of non-oil-producing Muslim countries in Asia and Africa. He reminded his fellow ministers that Islamic unity should be translated into concrete measures of co-operation between the producer countries and those who were suffering from the present high price of oil. Boumedienne of Algeria then went a step further by calling for common action to help all poor countries. To this extent Mr Bhutto must take much of the credit for one of the few constructive outcomes of the summit—the decision to appoint a committee to look into ways of alleviating the economic hardship of poorer Muslim countries. Its report is to be submitted for 'urgent consideration and action' at the next meeting of Islamic foreign ministers in May.

What emerged with particular urgency was the division between the rich and the poor. Indonesia's seventy to eighty million Muslims may have their oil, but the no less numerous Muslims of South Asia look anxiously at the well-filled treasuries of the rich oil producers and at the price they are now being asked to pay for their needs. The Asian Muslims are seeking not only cheaper oil but some share in aid and investment as well. There is plenty of room for disagreement on how the rich can ease the burden of the higher price of oil on the economies of the poorer developing countries. Iran has already proposed a new development bank, an economic and social development fund for non-aligned countries was agreed upon in principle at the Algiers non-aligned summit last September, a modest Arab–African fund has been established, and an international Islamic Bank is now in the offing. Despite all this charitable disposition and goodwill, however, the question of where the money is going to come from remains. Oil producers will be squeezing about £4,000m. in extra revenue out of the developing world this year, and it will doubtless please many in the aid-giving West if the sheikhs now came under pressure from their Islamic brethren to start shouldering some of the aid burden themselves. Pakistan and Bangladesh (like India and Sri Lanka) will be amongst countries hardest hit by the increased price of oil.

Behind the rhetoric at Lahore there were some solid issues and achievements. Above all, the summit was a triumph for Mr Bhutto. Little more than two years after coming to power, he has restored Pakistan's pride in herself, as well as her standing in the eyes of the world community. The idea of holding the conference appears to have taken shape in Mr Bhutto's mind shortly after the October war, when he must have judged that the time had come to move more boldly on to the international stage. Two objectives, one short-term and the other longer-term, seemed to be uppermost in his mind as he began sounding out other Muslim leaders. The first was to break the stalemate in relations with Bangladesh and to drive the beginnings of a wedge between Delhi and Dacca. His longer-term objective had to do with his assessment of the shift in the international balance of power brought about by the October war and the effective use by the Arabs of the oil weapon.

As far as Bangladesh was concerned, she had refused to take part in the summit except on a basis of 'soverign equality'—which required diplomatic recognition by Pakistan. For Bhutto it would have been very difficult domestically to have met this condition outside the context provided by the Islamic summit; this enabled him to give the convincing impression of a man reluctantly but magnanimously bowing to the wishes of his fellow Muslim brethren, the statesmen and heads of government assembled at Lahore. Moreover, his use of the summit to recognise Bangladesh tilted the balance of diplomatic leverage in the subcontinent away from Delhi and towards Islamabad. Recognition, however, is not

friendship, and many tense diplomatic and political battles remain to be fought over the residue of a war which the rest of the world has forgotten, but which remains painfully alive in the minds of those who took part.

There were, of course, some tactical gambles for Mr Bhutto along the way. The Shah of Iran, until recently Bhutto's staunchest supporter in regional affairs, did not attend and let it be known that his absence was deliberate. Clearly, the Shah would prefer Bhutto to limit his ambitions to the geographical confines of Pakistan, and it was certainly no accident that the Indian Foreign Minister was in Tehran during the very week of the summit. But one implication of the Lahore summit may be that Pakistan will find herself drawn increasingly into the orbit and diplomacy of the Middle East, and she might also have to be at the top of the list for any oil and revenue-sharing arrangements between the 'haves' and 'have-nots' of the Third World.

Unanimity was easy enough when the Arab case against Israel was raised. In particular, the Arabs sought support for their rights in Jerusalem—though the section of the summit leaders' communiqué dealing with the Middle East was considerably milder than the final draft declaration. The use of such resolutions at this delicate juncture of the Middle East peace negotiations is obviously limited, but at least the conference enabled the Arab states directly involved in the conflict to co-ordinate their own position more satisfactorily.

It may be doubted whether the Lahore summit will have a greater impact on the Islamic world than the Rabat one. Muslim societies unquestionably share a strong feeling of universal solidarity, but a world so sprawling as that of Islam, so culturally disparate, so obsessed with the definition of distinct national identities, is not easily harnessed to a common cause. It was left to the Libyan leader, Colonel Qaddafi, to sum up the limitations of such gatherings. He said: 'Our enemy plans, decides and acts. By contrast we meet, adopt resolutions and forget all about them.' He was right, of course. Those resonant resolutions at Rabat about liberating occupied Arab territories had nothing to do with President Sadat's decision to throw his armies over the Suez Canal in October. Their repetition at Lahore is just as unlikely in itself to upset his plans for an accommodation with Israel.

VIJAY SAROOP

The vital triangle

GERARD C. SMITH

To aim only at revitalizing the Atlantic partnership would be an inadequate reply to the world's present needs. Broader trilateral co-operation could be one answer to the failure of the United Nations to promote a viable universal structure.

NORTH AMERICA, Western Europe, and Japan today face a common condition. As the major free-market areas of the world, they share common concerns at home and common problems abroad involving relations among themselves, with other major power centres which may now include the Arab oil producers, and with the developing world. They possess technological resources of unparalleled magnitude, and have developed democratic institutions of an advanced type. They have such a vast preponderance of free-world economic and military power that they can make progress towards solving these problems in concert. If each region seeks only its own apparent good, they can 'cut each other's throats'. Moreover, they share substantial liabilities which are the products of modernity. Their air and waters are being poisoned; their people are being dehumanized as technologies advance; they are in differing degrees dependent on foreign sources for energy. In sum, a constellation of features which characterize these three regions as unique among nations has created unprecedented opportunities for mutual progress, as well as impending dangers which require urgent action.

Current trends indicate a growing disposition for each of the three regions to seek national advantage at the expense of inter-regional co-operation. Europeans are conspicuously unenthusiastic about American appeals for a 'New Atlantic Charter', and have little communication of any kind with Japanese. Japan has separated herself from US–Middle East policy in order to safeguard her Arab oil supply. The United States has, at best, supplied limited leadership in pursuit of co-operation among the three areas; on occasion, she has behaved in a cavalier manner more conducive to discord than to agreement.

In the immediate postwar period, this lack of trilateral co-operation was understandable. Confronted with the task of trying to reconstruct two war-ravaged economies a continent apart, American, European, and

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Japanese policy-makers pursued a two-front strategy whose lines rarely intersected. The politics of Community-building in Europe, together with the peculiar problems raised by the defence of the old continent, fell into the US–European basket marked 'Atlantic relations'; while the effort to restructure Japan's political life and to shield her from regional military involvements constituted a separate Pacific policy involving the United States and Japan. Only on the plane of anti-Communism did the three areas find common ground, as pillars of the 'Free World', while the US near-monopoly of economic and military strength provided the cement which held the enterprise together.

This state of affairs, including the decline of the Cold War and the unquestioned American hegemony which supported it, ceased to obtain some years ago. A situation of rough equality currently prevails among the three regions in the realm of economic relations. Europe is now led by a nine-nation Community eager to protect its home market against Japanese and US incursion. Meanwhile, Japan has emerged as the world's third leading industrial power and nourishes realistic hopes of soon overtaking the Soviet Union. This astounding growth, flattering as it is to US postwar policy, as well as to Japanese productivity, resulted in massive American trade deficits. To make matters worse, the steps by the United States to resolve these problems led to further deterioration of US–European–Japanese relations. Washington's brusque imposition of an import surcharge, confrontation over textiles, its heavy-handed pressure to force the floating of the yen, and its restriction of soya bean exports damaged Japanese interests and sensibilities. The Europeans were also partially prejudiced by American actions, but reacted vigorously to what they considered efforts to force them to accept US agricultural exports and otherwise accommodate US economic concerns; they have also begun to consider ways of avoiding similarly painful experiences, as the Japanese turn their considerable mercantile energies towards the Common Market.

These clear signs of how increasing economic equality can make for greater friction, as well as greater interdependence, are duplicated by the three powers in spheres of energy, security, and political policy. In these areas, too, grave difficulties inevitably accompany efforts by any one of the regions to pursue autonomous policies that fail to show concern for the interests of the other two. Indeed, it is becoming increasingly evident that relations between the United States, Western Europe, and Japan are inextricably linked and that closer collaboration on a regularized basis on a broad range of issues is inescapable. Chief among these issues will probably be access to energy supplies at prices which will not wreck the advanced nations' economies. Only with leadership from these three regions can one expect progress on trade and monetary negotiations. No longer is it sufficient to deal with today's problems with the bilateral pro-

cedures that proved serviceable in the past. The time has come to widen the traditional US–European and US–Japanese dialogues into a trialogue.

Defining trilateralism

Trilateralism is, above all, a matter of attitude. Its essence lies in a common perception by the three great democratic industrialized areas that their prime interests intersect. Until planners and leaders in all three regions share this perception, co-operation will remain haphazard, uninspired, and hobbled by latent suspicions. Ultimately, each side must develop the habit of assessing all major international policies in terms of their effect on the trilateral relationship. Common policy will follow, as a matter of course, from common vision.

Before this vision can be acquired, however, there must be significant changes in existing attitudes. Both North America and Europe must acknowledge the equality of Japan. The following words in Dr Kissinger's speech to the Pilgrims in London last December could not have gone unnoticed in Japan: 'We are prepared to offer a unifying Europe a "special relationship", for we believe that the unity of the Western world is essential for the well-being of all its parts.' American policy must go a long way before it assuages Japan's fears of being relegated to a position in Washington's priorities that ranks considerably below our close and abiding friendship with Europe. Japan must not be given to think that she is merely being dragged in as an afterthought to some scheme elaborated by the Atlantic powers.

The Europeans seem to be even less aware of the implications of Japan's upward movement on the power scale. The thought patterns that are crucial to developing a sense of common destiny between Tokyo and the European capitals must be built from the ground up. Many thoughtful Europeans realize that Japan cannot be overlooked by a major economic power such as the European Community. The increasing flow of Japanese tourists, no less than exports and investments, to Western Europe should be a signal to the Europeans that Japan is a power to be reckoned with and that such reckoning can best be realized in a clustering of common interests.

The development of trilateral ties also implies a recognition of what trilateralism is not. Trilateralism does not represent another Grand Design. Its intentions are modestly confined to improving communications and co-operation among the three major power centres that constitute the triangle. It does not seek to dismantle alliances, organizations, or arrangements that are presently in good working order; there is nothing inconsistent between trilateralism and good bilateral relations among all concerned. Nor is it intended to be a 'rich man's club'; one of its prime aims should be a more rational allocation of resources to developing parts of the world. Finally, trilateralism must not be an anti-

Communist league. Among its major purposes should be to continue the ongoing improvements in North American, European, and Japanese relations with the USSR and China.

Reasons for urgency

In a more perfect world, such a major change in relations among the three industrial regions would be deferred until European integration had progressed further. This would permit more efficient communication with Tokyo and Washington. There are, however, compelling reasons why the process of trilateral community-building should be initiated at once.

For one thing, the problem of European disunity is not new; it is not clear that it will soon be remedied. The absence of 'one voice' in Europe that may hamper trilateral action has plagued European–American relations for years. As Paul McCracken has written in a recent article:

> The major American complaint . . . seems to be that it is practically impossible to find a way to talk meaningfully to Europe today. If one talks to individual governments, he is told that these are Community matters on which the individual governments cannot have independent positions or discussions. If one goes to the Community, he is told that nothing much can be said because the members haven't yet an agreed position.[1]

And yet, both sides have learned to live with this condition; it has not proved an insurmountable barrier to co-operation. Perhaps the needs of trilateralism will even hasten the day when Europe can speak internationally with one voice.

Furthermore, delay in getting on with trilateralism may erode the present basis of concensus. By the time that a European political community comes into being, the three industrial regions may have drifted further apart. Habits of independent action may have become so ingrained as to render collaboration virtually impracticable. The advanced societies are caught up in a process of rapid change, both domestically and internationally; conditions at a later period may prove far less propitious than today for forging a trilateral community.

This is more true, since the process of forging trilateral ties is likely to be a long and arduous one. Experience with uniting Europe illustrates the need to anticipate complications and, so, to make an early start. One is reminded of the aged Marshal Lyautey's reply to a gardener who protested that a certain type of tree would take too long to grow: 'Then we must plant them at once.' A timely start, moreover, will relieve us of the need to place too much emphasis on rapid timing, such as that suggested by Dr Kissinger's proposal to work out a charter in one year. The term

[1] 'Elevating the Transatlantic Dialogue', *The Wall Street Journal*, 24 May 1973.

of a year may have been chosen because this was 'The Year of Europe', but slogans are not a good guide for timing and our friends should feel no undue pressure.

From one standpoint, this may be a good time to begin the quest for clearer trilateral relations. All three of the principal regions—North America, Western Europe, and Japan—are presently in search of a new world role. The US, wearied by the South-East Asia struggle, must come to grips with a relative decline in her power, now that other nations have moved upwards; in a trilateral context she can find an effective retreat from the dominant power that she once exercised. Western Europe, too, is groping for new directions: the recent expansion of the Common Market, the successful completion of the German accords, and the prospect of eventual US troop reductions on the Continent, also foreshadow a redefinition of Europe's place in international politics. Japan, too, is seeking a new role following the termination of her little-brother relationship with the US. But whereas Germany was able to find an honourable place in the European Community after her defeat in the Second World War, there is as yet no equivalent community in which Japan can play a significant part now that her postwar dependency on the US is ending. Furthermore, Japan's rapid attainment of immense economic power leads her to seek an outlet in commensurate political power; just as the USSR would not settle for less than strategic parity with the United States, so Japan will not be content with less than political parity with the other major free-market economies. Japan might find this parity floating independently and perhaps militaristically in the uncharted seas of some undefined post-American–Japanese security-treaty international structure—or she might find a secure place and an equal force in a community of developed nations.

The perils of inaction outweigh the risks of action. For beneath the surface in trilateral relationships lie deep-seated tensions which, if allowed to fester, could jeopardize hopes for world peace. Failure to resolve chronic trade and monetary problems in a manner which takes account of the vital interests of all three areas could unleash trade wars that would envenom their relations for years. Failure to work out stable supply arrangements with oil-producing nations could cause a world depression of major proportions. If security needs are not met in common, independent arms policies might be adopted which could trigger nuclear proliferation and destabilize the international system. On this score, it is good news to read that Japan's Prime Minister, Mr Tanaka, predicts early ratification of the non-proliferation treaty by his country.

Inability to achieve joint policies to hasten growth in the developing countries only prolongs the agonies of violence and despair that accompany stagnation there. Reluctance to mount a concerted attack on problems of the global environment could result in an unlivable world in

which the benefits of wealth and peace would lose their meaning.

The list could be lengthened. Suffice it to say that if present trends continue, there may be a backlash of recrimination and retaliation that could produce disputes not unlike those which destroyed any chance of building a lasting peace in the 1920s and 1930s. Only trilateral co-operation can reverse this process. It is this fact which makes clear the hazards of delay. And yet, one sometimes senses attitudes on all sides reminiscent of people who want to get to heaven, but not just yet.

The energy crisis

The energy crisis attendant on the Middle East war of 1973 is the latest and perhaps sharpest warning to the three regions to get on with the work of trilateralism. The Arab oil export controls last autumn transformed discussion about trilateralism from a rather general and long-term context to an urgent matter involving short-term problems directly affecting the economic viability of the three regions.

The Arab restraints on oil stunned the Japanese. In the words of one of them, they felt like passengers on a hijacked aeroplane. Having no vital interest in the Arab–Israeli dispute they had tried to remain neutral. They felt victimized by Arabs and pressured by the United States. They wondered why they should suffer because of US Middle East policy. Japan will not soon forget the 'out-in-the-cold' feeling she had last autumn when her alignment with American Middle East policy led to a cutback in her oil supply. Her switch to the Arab side of the Israel–Arab dispute was a major breakaway from US policy. Like the first olive out of the bottle it could make easier the emergence of other differences. 1973 saw Japan threatened also in her food supply by US export controls of soya beans. Since Japan does not have the US potential for self-sufficiency in either energy or food, she cannot help but cast about for ways to lessen dependence on any one source of supply for these central commodities.

Western Europe, with the exception of the Dutch, reacted similarly—although the general pro-Arab stance of Britain and France was not a product of the crisis. Europeans sense that things can never return to the pre-October 1973 state. The energy crisis accentuated egalitarian pressures. There may be a prospect of a new 'industrial revolution' being forced upon them by a future of long-term energy shortages. These concerns in turn have generated worries among some Europeans as to the future of liberal democratic governments in Europe. Although not faced with a leadership crisis of American dimension, the energy crunch finds no strong government in Western Europe. Even with the 'Christmas present' from the Arabs agreeing to make larger deliveries of oil, when European populations realize that there are likely to be substantial shortfalls in their expectations for evergrowing prosperity, the probability of

'strong' governments having their bases well to the right or left of centre may increase.

In America, the future is not quite so dark, but adversity for the Japanese and European economies will produce troubles there, too. A potential for escaping dependence on Arab oil exists—at very large cost and over a long time. Self-sufficiency in energy obviously is a popular goal at home, if not abroad. Probably in time the self-sufficiency target will be adjusted towards a policy aimed at assuring foreign energy supplies at more reasonable prices.

One aspect of the energy crisis that has not had much attention is its effect on the developing countries. The oil prices now projected by the Arab countries seem to guarantee a certain failure of India's current economic plan. There have been hints that Arab countries flush with massive oil payments will help finance the needs of developing countries. Even if that happy event takes place, the prospect is for heavier claims on the advanced countries to meet sharply increased energy costs in the less developed countries. Perhaps greater political community will develop between the advanced and the developing countries, as common victims of monopolist pricing programmes. Such a greater community of interest would be quite a bonus from the energy crisis and could sharply alter the general state of relations in the international community.

Since the oil crisis affects the three regions in substantially different ways, is there a sufficient common interest for trilateral co-operation? The gradual easing of Arab export controls will, in the short term, work against trilateral co-operation. There may be a disposition abroad to forego co-operation lest it lead to the Arabs giving the 'American treatment' to other co-operating areas. But even if all export controls are lifted, the price rises of 1973, with perhaps more to come soon, present the three advanced regions with colossal problems of inflation control, balance of payments and monetary management, and relations with the developing countries. Joint efforts to keep these problems manageable offer the only hope of avoiding general economic collapse.

This raises the question of Dr Kissinger's call for an 'action committee' of Europeans, Japanese, and Americans to co-ordinate measures aimed at improving the energy supply situation in the trilateral regions. This was a significant proposal for trilateral action. Unfortunately its public floating without previous private consultation with the governments most directly concerned somewhat undercut its presumed serious purpose. But in spite of the manner of its birth and the initial lack of enthusiasm on the part of the Japanese and the Europeans, this proposal seems a sensible way of launching an essential form of trilateral action. Not the least part of its importance lay in its offer to include producing countries in the proposed joint attack on energy problems.

Examples of co-operation in developing alternative energy supplies are

joint ventures in plants to enrich uranium, to gassify coal, and to extract oil from shale and tar sands. All of these would involve immense investments and some will require major technological developments which are most likely to be made if the ingenuity of the three advanced regions is combined.

It is becoming increasingly clear that, in addition to having great nuclear-weapon arsenals, the US and the USSR also have in common either self-sufficiency in energy or the potential to obtain it. This will tend further to set them apart from other nations—to solidify further their status as super-powers. The US will constantly have to 'compensate' for this advantage to herself and this disadvantage to her major allies—not so much by sharing nuclear weapons power as by sharing her energy potential.

In concerting trilateral energy policies and programmes, there should be constant appreciation of the fact that the community of interest includes supplier, as well as consumer, nations. The Middle East and Japan–Atlantica are in the same boat, in the sense that each is dependent on the other. As the Arab proverb has it, 'it takes two hands to clap'. The need to concert policy and co-operate in the energy crisis may be a main lubricant in the modernization process of both the developed and the developing world.

Joint tasks

A trilateral approach to the broader problems of relations between Japan–Atlantica and the developing countries is needed. Growth in the developing countries hinges more than anything else on what these countries do to help themselves. But it also requires access to the markets of all the developed countries; and this is more likely to come about if the developed country or group of countries will not have to face a disproportionate increase in its share of imports from developing countries. Bilateral aid to developing nations has lost its attraction. Acting together, the industrial countries may be able to devise effective substitutes: increased support of the World Bank and its soft-loan affiliate, greater aid to such regional institutions as the Asian Development Bank and the Inter-American Development Bank, monetary reform—whether through SDRs or otherwise—to convey increased resources to the developing countries, and the use of fees charged for exploitation of such common resources as the extra-territorial oceans for the same purpose. But none of these resources will come about unless Japan, Western Europe, and North America can work together effectively to this end. Concerting policies to ensure that the developing world has a fair chance of not becoming one vast disordered slum, breeding contagious violence, may be the single most important task for the three advanced regions.

In addition to co-ordinating their external policies, the three regions

can also turn their collective attention to great common domestic problems. In such trouble areas as urban environment, education, and the clash of generations, the nations of the post-industrial world stand to learn a great deal from one another; they are most likely to make a dent in what seem to be impenetrable problems by pooling talents and resources. In this way, too, a sense of common identity can be forged, as each region comes to see parts of itself reflected in the domestic life of its two partners. Over time, these notions of common identity will stimulate common action.

Before all of this can happen, a good deal of preparatory work will be required, at both governmental and non-governmental levels. Some useful preparatory work is already being carried out. Trilateral policy planning on economic issues is being conducted under the auspices of the Brookings Institution, the Japan Economic Research Center, and the European Community Institute of University Studies. Additional private trilateral approaches are also envisaged to seek common understanding of security problems by Brookings, the International Institute of Strategic Studies, and the Japan Institute of International Affairs—as well as by the Atlantic Council, the Atlantic Institute, and the Japan Society. New insights are constantly being generated by this process of private trialogue.

The Trilateral Commission

In recognition of the need for a major private undertaking to crystallize these insights as a precursor or companion to government endeavours, a Trilateral Commission has been established with chairmen and membership drawn from the three regions. Its first meeting was in Tokyo last October. If the Commission is successful, it will constitute the prototype of a working community for the new triangle.

In the past, certain private efforts to affect public policy have been successful in the developed countries. However, there is no precedent for a trilateral enterprise of the scope to be encompassed by the Trilateral Commission. The organization of such a group of leaders is in fact a para-political event in itself. A joint and innovative international search for common solutions is quite a different procedure from the usual method in which states work out preferred positions unilaterally and then seek to negotiate acceptable compromises with other states. The very initiation of such an effort by influential individuals in the three regions may have a tendency to arrest the current deterioration in relations and offer some promise of better things to come.

In its meetings, the Commission will seek a private consensus on specific solutions to the problems examined in the trilateral analysis. Consensus-seeking must be a central element in the trilateral process. Given some success in this task, the Commission will seek to educate

attentive audiences in the three regions, so that public policy in Japan, North America, and Europe will come to reflect the private consensus.

The Trilateral Commission faces serious problems. There will be a variety of European—and probably of Japanese and North American—opinions on certain subjects. This will make for a more factious process than intergovernmental negotiations, where differences within participating delegations are submerged. Moreover, Western Europe and Japan have little experience of the North American tradition of organizing private projects to help resolve public issues. Hence, they lack similar access to private financing for what may be considered to be a clear public responsibility.

The inclusion of Japan brings special problems of language and culture. Few Occidentals have mastered Japanese; many Europeans feel that the evolution of Japan's role in the world is not their problem, and that prime responsibility rests with Tokyo and Washington; among some Americans there is a residual element of racism which makes co-operation with Asians more difficult than with Europeans: the Japanese think and act about issues in quite a different fashion from that of Westerners; they are less accustomed than Europeans and Americans to engaging in free private exchanges not bound by official position. These obstacles will not be easily surmounted. Some time may have to elapse before the Trilateral Commission becomes a smooth working arrangement less stilted than intergovernmental exchanges.

Can a radical change in international relations be brought about in times of prosperity, when a generation untouched by war has assumed responsibility for the nations of the modern triangle? No one can be sure. What is certain is that, like it or not, the pace of events has carried us a considerable distance beyond the comfortable solutions of the past; there can be no turning back. Unilateralism is a dead issue; the exigencies of contemporary interdependence plainly preclude going it alone. Aiming only at a revitalized Atlantic partnership would be an exercise in nostalgia —grossly insufficient to present needs. Reversion to an international balancing act patterned on nineteenth-century Europe would be both anachronistic and unstable. Continuation of present arrangements would represent a non-decision—keeping us mired in muddle.

There remains broader trilateral co-operation. Ever since it became obvious that the United Nations was not going to fulfil its promise as a universal organization around which a universal structure could be formed, people have been thinking about other approaches. While the immediate purpose of the trilateral community of the developed nations is less ambitious, its long-term contribution to stability and progress could well be a major factor in building a new world order.

Japanese foreign policy: continuity amidst change

WILLIAM J. BARNDS

The oil crisis has reinforced Japan's need to reconsider her international position. She would like to keep her economic and foreign policies separate, but her growing economic role will inevitably involve her in new political turbulence.

THE decade of the 1970s, although not yet half over, is proving to be a difficult period for Japan. The Nixon shocks of 1971 not only weakened Japanese confidence in the reliability of the United States as a friend and protector, but also brought into question the continued existence of the international economic order that had enabled Japan to prosper. The oil crisis had an even more traumatic effect, and initially resulted in a mood of panic and impending disaster. This combination of events checked Japan's growing self-confidence, increased her deep-seated sense of isolation, and heightened her feelings of vulnerability to forces beyond her control.

These developments occurred at a time when the Japanese were already engaged in a serious re-examination of the nation's domestic priorities and its appropriate role in the world. The overcrowding, pollution, and lack of social amenities had begun to create doubts about the value of continued rapid economic growth, especially when it was accompanied by an accelerating inflation. Moreover, Japan's increased economic strength and returning self-confidence were gradually stimulating a desire for a more independent foreign policy—for autonomy within interdependence—and for a modification of the patron–client relationship with the US. However, Japan's reluctance to become involved in world politics remained strong, for she feared that taking a stand in political conflicts would hamper her efforts to do business with all parties. This *desire* for greater autonomy was increased by the Nixon shocks, which made it clear that the US would act independently of Japan, but the *content* of a more independent policy remained a matter of uncertainty and a source of domestic political controversy.

Two factors will make it particularly difficult for Japan to formulate long-range policies. First, political and economic changes are occurring

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so rapidly that policies adopted to deal with particular situations are often quickly outmoded. The speed of the Sino-American rapprochement and the shifts in the Middle Eastern scene took the Japanese by surprise. Japan's balance of payments shifted from a $4·7 billion[1] surplus in 1972 to $10 billion deficit in 1973, and the value of the yen has fluctuated rapidly since 1971. Secondly, there is no consensus within Japan on foreign policy. The contending forces are stalemated, thus cancelling out domestic pressures for—and the likelihood of—any sharp change in direction. The domestic political situation has also become less stable. Support for the governing Liberal Democratic Party (LDP) continues to wane, and Mr Tanaka's Government has suffered a precipitous decline in popular esteem. Thus short-term political considerations will be accorded added weight when government decisions are made, and this tendency will be intensified if the LDP loses its majority in the Upper House elections in June 1974 and Japan is forced at some point to establish a coalition government.

At the same time, Japan's achievements over the past twenty-five years should make us wary of predicting that the country will be unable to cope with the new challenges it faces. The Japanese have shown great talent for adapting to changing circumstances by continual adjustments rather than by dramatic policy shifts. Many questions suggest themselves in any examination of the impact the events of recent years will have on Japan's policies and fortunes, but four are central to this inquiry. What effect will the oil crisis have on Japan's economic policies and prospects? Will recent developments lead to any substantial changes in Japan's foreign policy (as often predicted by foreign commentators), or will she continue to be dominated by economic considerations and a determination to maintain a low profile politically? How are Japan's relations with the industrial countries, especially the United States, likely to evolve? What will recent developments mean for Japan's view of and role in the international system?

Economic trends

Forecasts for Japan made in the first ten years after the Second World War were almost uniformly bleak—and uniformly wrong. The economy expanded steadily more rapidly, with the rate of growth rising from 1951–5 (8·6 per cent) through 1965–70 (13·1 per cent).[2] Japan's foreign trade expanded more than fourfold between 1961 and 1971. Exports grew more rapidly than imports after 1965, and Japan had a trade surplus of over $8 billion in 1972.[3]

[1] Throughout this article, billion = a thousand millions; trillion = a million millions.

[2] Japan's GNP was nearly $200 billion in 1970 at the then current exchange rate. A more realistic figure would have been about $250 billion in view of the undervaluation of the yen before 1971.

[3] Japanese trade statistics, which are used in this article, treat insurance and

projections for the 1970s were equally dramatic. Even after the 1971 devaluation, the Japan Economic Research Center forecast a GNP of nearly $1 trillion for 1980, with imports rising to $75 billion and exports to $92 billion—a $17 billion trade surplus.[4] Others questioned the ability of the Japanese economy to expand by over 10 per cent annually throughout the 1970s.[5] Observers in the early postwar years were proved wrong partly because they projected current trends into the future, and caution is necessary lest a similar error be made. Even before the oil crisis, some elements in the situation were changing in a way that made a gradual decline in the growth rate more likely. While the Japanese showed little change in their proclivity to save and invest prodigiously, labour shortages were developing and social investments (which make a smaller immediate contribution to growth) were increasingly urgent. Japanese production *per square mile* was greater than that of any other major industrial country, making pollution a growing problem. More importantly, the international environment was becoming less congenial for Japan.[6] An undervalued yen would no longer be available to stimulate Japan's export growth. Japan was technologically abreast of the other industrial powers, and instead of relying on imported technology at bargain rates she would have to invest larger sums in this area. There was a trend towards protectionism in the world—sometimes directed specifically at Japan—and the international trade and monetary systems were unravelling. Finally, the terms of trade were shifting against Japan, and rising prices of imported foodstuffs and raw materials were stimulating inflationary pressures.

Japan had some success in adjusting to these adverse trends, and after falling to 6·2 per cent in 1971 the growth rate rose to over 9 per cent in 1972. Large foreign investments were made, first in raw material producing and then in processing ventures, in order to assure her raw material needs, to respond to other countries' demands for greater benefits from their co-operation with Japan, and to reduce pollution in Japan. (The

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freight costs as invisible payments rather than as part of imports, which increase the size of any Japanese trade surplus. The surplus in 1972 would have been about $5 billion if shipping and insurance costs had been included.

[4] The Japan Economic Research Center, *Japan's Economy in 1980 in a Global Context*, Tokyo, 1972.

[5] See Jerome B. Cohen (ed.), *Pacific Partnership: United States–Japan Trade* (Lexington, Mass.: D. C. Heath & Co., 1972). Even an 8 per cent annual growth of GNP during the 1970s would require Japan to secure one quarter of the world's raw material output in 1980 compared to 15 per cent in 1970 and less than 9 per cent in 1960.

[6] There is little indication that Japan will devote an increased share of her resources to her military establishment. The decline in confidence in the US as a protector was offset by the effect of the Sino-American and US–Soviet rapprochements. Japan felt little sense of threat from the Chinese or the Russians, especially since their mutual hostility continued unabated. See Martin Weinstein, 'Is Japan Changing Its Defense Policy?' *Pacific Community*, Vol. 4, No. 2, January 1973, pp. 179–94.

shifting of processing plants and some industry offshore, it should be noted, was a logical step for a country which had long had a policy of deliberately moving from labour-intensive towards capital-intensive, high-technology industries.) Japan also switched the emphasis of her foreign trade policy from exports to imports; and her trade surplus of over $8 billion in 1972 was cut to $3·7 billion in 1973. However, her foreign exchange reserves dropped from $19 billion to $12 billion during 1973.[7]

The oil crisis

Japan's immediate reaction to the oil crisis was to fear that supply shortages would force such sharp cutbacks in industrial production as to lead to the country's first real recession, coming as they did when credit restrictions and budget cuts designed to curb a 20 per cent price rise in 1973 were already slowing the economy.[8] (During previous 'recessions' after the post-Korean war adjustment, the rate of growth had never fallen below 5 per cent.) Japan's fears were intensified by her awareness that she had no alternative but to rely on petroleum for the foreseeable future, and that there was little room for curtailing its use since about 80 per cent went for industrial and commercial purposes.[9] This forced the Government to move cautiously, as did the desire to avoid further alarming a public already anxious about shortages and inflation.

Deputy Prime Minister Miki was quickly dispatched to the Middle East—an area previously neglected in Japan's foreign aid programme—to seek 'friendly' status for Japan and to offer Japanese technology and investments on a large scale. Tokyo was concerned at the impact that a shift of its Middle Eastern policy would have on the US, but felt it had no choice. It gave a pro-Arab tilt to its policy by interpreting United Nations Resolution 242 as requiring Israeli relinquishment of the lands captured in 1967, a move which caused the Arabs to agree to supply Japan with the oil she needed.

Japan's concern quickly shifted from availability to cost after the sharp increases in oil prices in December. Varying forecasts have been made about how much Japan's payments for oil would increase, but most calculations have indicated they would rise from about $4 billion in 1972 to an

[7] The Japanese Finance Ministry stated in February 1974 that Japan also has privately held foreign exchange reserves in the form of bank holdings which amount to $9–10 billion. *The Japan Times Weekly*, 9 February 1974.

[8] *Nihon Keizai Shimbun* (International Weekly), 20 November 1973.

[9] Japan was also uneasy about her reliance on foreign-owned oil companies for 75 per cent of her imports, and through her bilateral deals is trying to increase the share of her imports that she controls directly. Tokyo was suspicious that the international oil companies were diverting Iranian and Indonesian oil from Japan to the US and the Netherlands. However, Japan's importance as an importer to companies whose role in producing countries is being curtailed gives her important bargaining power.

estimated $16 billion in 1974.[10] Without playing down the magnitude of the problem, it is important to note that Japan spent over $8 billion for oil in 1973, and thus a doubling rather than a quadrupling is involved for 1974. But Japan has little scope for curtailing other imports, and thus must concentrate on raising exports substantially above the 1973 level of $36 billion.

Initial Japanese forecasts were that the economy would experience little real growth in 1974.[11] Tokyo's policy in these circumstances has both immediate and long-range aims: (1) to finance its added import bill for 1974 in a manner that prevents the growth rate from falling any more than is inevitable; and (2) to lay the groundwork for a return to more rapid growth in the future. It imposed restrictions on 'non-essential' Japanese foreign investments (such as foreign stocks and real estate) in an effort to cut its long-term capital deficit from $7·8 billion in 1973 to $4·8 billion this year without undermining its policies of stimulating raw material production and establishing new processing plants abroad rather than in Japan. It may also borrow abroad and allow its foreign exchange reserves to decline somewhat further, although only to the extent it is unable to increase its exports more rapidly than its imports.

However, Japan's export problem is complicated by the nature of the countries from which she imports much of her oil. Somewhat over half comes from Iran (37 per cent) and Indonesia (15 per cent), two countries capable of sharply increasing their imports from Japan in a relatively short time. The remainder comes largely from countries such as Saudi Arabia, Kuwait, and Abu Dhabi, and their capacity to absorb Japanese technology and investments is sharply limited by their small populations and rudimentary economies. In the past, the Japanese have been more flexible than the Europeans and Americans regarding the terms of the investments they have made in the developing countries. Tokyo has already made arrangements of varying degrees of firmness to provide $200–300 m. to the United Arab Republic, $1 billion to Iraq, and is negotiating a $1–2 billion arrangement with Iran. Similar deals with

[10] A decline in oil prices at some point seems likely in view of the great gap between production costs and selling prices, the differing interests of the oil producing countries, and the historic inability of most cartels to maintain high prices indefinitely. However, the timing and extent of any price cuts are uncertain, and this analysis is based upon the assumption that no *major* decline will occur in 1974.

[11] The Japanese Government in January 1974 predicted a growth of 2·5 per cent for the fiscal year 1974, which begins on 1 April, but in March the Japanese Economic Research Center forecast a 4·4 growth rate for the same period The many complexities and uncertainties involved make forecasting Japan's external position extremely difficult. If economic growth slackens throughout the world, many raw material prices should fall, which would help Japan. The decline in value of the yen in relation to the dollar by 10 per cent (between October 1973 and March 1974) will improve Japan's competitive position—just as inflationary pressures will hurt it. However, since oil prices are set in dollars the yen cost of oil payments could increase further as a result of devaluation.

Saudi Arabia and Kuwait are also under consideration. However, Western European nations too are rushing to make bilateral deals to provide the Middle Eastern countries with the projects they desire. (Japan is also handicapped by domestic political pressures against selling modern arms which, however politically destabilizing they may prove in the given region, are ideal exports from a balance-of-trade perspective.) Firm judgments are impossible but, given the lag between agreement and shipments for major investment projects, it seems unlikely that the oil exporting countries *as a group* will be able to absorb more than $2–3 billion in increased Japanese exports during 1974 to offset the $8 billion increase in oil payments, and they are unlikely to be able to absorb more than $5–6 billion in 1975. The remaining amounts will accumulate in Arab coffers, and, given their unfamiliarity with Japan and her limited capital markets, will probably flow to Europe and America.

Relations with the industrial nations

Japan has long been desirous of diversifying her economic relations, but the fact that her trading patterns have remained remarkably stable suggests this will not be easy. North America accounted for 35 per cent of Japan's total trade during the 1960s; trade with Western Europe was about 12 per cent in this period; and non-Communist Asia accounted for roughly 30 per cent of Japanese trade (although the share of the Middle East increased steadily). The remainder was conducted in relatively small shares with a wide variety of areas. Over the long run, the exchange of Japanese industrial goods for raw materials from the developing countries, Australia, Canada, the Soviet Union, and China may increase the importance of these areas to Japan, but this will be a gradual process.

However much Japan would like to keep economics and politics in separate compartments, her effort to increase exports to countries outside the Middle East is likely to generate new political strains. The non-Communist Asian countries, faced with rapidly rising oil costs themselves, are unlikely to have the funds to pay for substantially greater Japanese exports. Japan's economic role in these countries is already so large as to be a source of growing resentment—a situation dramatically demonstrated during Mr Tanaka's tour of South-East Asia.[12] Despite their frustration at their growing dependence on Japan they will press for more foreign aid (as distinct from foreign investment) on easier terms, which Japan will be reluctant to supply.

Trade with China and the Soviet Union is growing rapidly, but still accounts for little more than 5 per cent of Japan's trade. Tokyo wants to keep its relations with the Soviet Union and China balanced, a con-

[12] The fact that the demonstrations against Japan were carried out partly because of popular hostility to local governments does not make Tokyo's problem less acute, for it has become identified with local elites in these countries.

straint which—together with Soviet and Chinese suspicions of any Japanese links with the other—limits Japan's options. Siberian raw materials are attractive, but the Soviet practice of driving hard bargains and the existence of the territorial dispute over the 'northern islands' have made the Japanese wary. They want American partners for some of the projects they are considering in Siberia in order to hold down the costs and reduce the risk of supplies being curtailed in the future. China does not want to become too dependent upon any single country, and Japan is already her major trading partner. And if China (with whom Japan also has territorial disputes concerning the Senkaku Islands) stages a new Cultural Revolution, her interest in and ability to expand her trade with Japan will become questionable.

Thus any successful Japanese export drive will require a rapid growth in sales to Western Europe and the United States. The Western European countries have been hesitant about accepting sharp increases in Japanese exports in the past. European attitudes toward Japan have ranged from indifference to apprehension, although this has been less true of Germany and Britain than the other Western European nations. However, Japan's growing impact on the world, together with the weakening of Japanese and European ties with the US, have led to increased mutual awareness. Most Western European countries and Japan have taken similar positions in the Arab–Israeli dispute. They share an opposition to any confrontation between oil consuming and producing countries. Most of them see the value of a measure of co-operation with the US in dealing with the issue, although the relative advantages it has created for America lead some people in these countries to wonder how eager the US is to see the situation change. Their dependence on international trade gives them a shared interest in a reconstruction of the international monetary system and in the continuance of generally liberal international trade rules. Both sides are sceptical of any institutional bilateral ties, but there is some recognition that a measure of co-operation is desirable.

However, only a start has been made, and European–Japanese relations will be heavily influenced by their economic competition throughout the world. Western European countries have been reluctant to allow the Japanese greater access to their markets in the past and they are hardly likely to be more receptive if their own growth rates decline. In any case, Japanese exports to Western Europe amounted to only $4·7 billion in 1972 (compared to imports of $2·5 billion), so Japan cannot expect dramatic enough increases to meet her needs. Thus she faces the frustrating situation of finding her dependence on the United States increasing at the very time she would like to establish a more equal and autonomous relationship.

The rough treatment handed out to Japan by President Nixon and the Secretary of State, Dr Kissinger, has left the Japanese angry and bitter.

Despite their sense of betrayal there is an inclination to hope that relations will improve after 1976, but the Japanese realize the danger of counting on such a change. If the Nixon shocks created fewer short-term problems for Japan than originally feared (and facilitated the normalization of Sino-Japanese relations), the psychological impact will be lasting. Coming as they did when the powerful Japanese media were portraying America as a disintegrating society, they dealt a strong blow to the Japanese belief in the US as a model as well as a protector. Ethnic and racial conflicts in the United States are so alien to the experience of the homogeneous Japanese that they tend to be viewed as signs of American disintegration.

Moreover, Japan is uneasy about the course of America's Asian policy which remains a central issue for Japanese foreign policy. Before Japan had time to appraise the implications of the Nixon Doctrine, which suggested a modification rather than an abandonment of the postwar American role in the area, the US began talking about a shift towards a more open-ended balance of power policy, and Tokyo is unclear where it stands. Opposition to the US–Japanese Security Treaty of 1960 has declined and shifted focus; it is regarded as less likely to involve Japan in a war in an era of détente, but to the opposition parties it remains a symbol of Japanese subservience to an outside power. However, the Japanese Government still regards it as an asset (although a diminishing one) and thus worth retaining.

America's concern over her trade relations is less intense than it was a few years ago, for the sharp increase in Japanese imports from the US reduced Japan's trade surplus from $4·1 billion to $1·3 billion between 1972 and 1973. None the less, the Japanese Government fears that a major export drive in the US would lead to new American restrictions on Japanese trade, especially with the US economy slowing down. But it probably believes it has no choice but to move in this direction, just as it feels it may have to look to US capital markets once again. Thus economic links between the two countries are likely to continue to expand while at the same time political relations are becoming more distant.

No confident forecast concerning Japan's ability to deal with her economic problems can be made at this time, especially since the available international financial mechanisms and institutions may prove unable to cope with the dramatic increase in liquid assets flowing to the oil producing countries. What can be said is that Japan is *not* facing disaster, and that there is a fair chance that she will be successful enough in dealing with the challenges of the next year or two, thus laying the groundwork for more rapid future growth—although not at the pace of the late 1960s. If this occurs, the Japanese economy may approach the $1 trillion mark by the mid-1980s, and the problem of making room for Japan will remain a major item on the international agenda.

Japan and the international system

Japanese awareness that the country is irreversibly caught up in an interdependent world has increased substantially in recent years. There is a widespread recognition that just as Japan benefited greatly from the relatively open world economic system of the past, she will suffer more than most if nationalistic beggar-thy-neighbour policies become the norm in international life. However, there are sharp disagreements about how Japan should deal with these matters, although such disagreements are *not* focused on the issue of whether or not Japan should strive to be a great power.

One group urges a policy of forward-looking activism based upon a frank recognition that Japan's stake in the international order is so great that she must play an active part in its reconstruction. She must also be more actively involved in diplomatic efforts to reduce international tensions and to settle disputes peacefully, especially through the United Nations. Japan's lack of military strength gives her a diplomatic freedom that the great powers lack, and her economic strength allows her to do more for the developing countries as well as play an important role in international monetary and trade negotiations. Advocates of this course, which include many in the powerful business community, argue that their country's economy is so large that Japan will incur widespread criticism and provoke retaliation if she merely looks after her own economic interests.

Those opposed to such a course argue for a policy of ad hoc passivism more in line with Japan's past policy. Each situation should be dealt with individually, with Japan adjusting to events as best she can. Their stress upon Japan's weakness and vulnerability strikes a responsive chord in a people who have traditionally regarded developments abroad in terms of the dangers posed rather than the opportunities offered. They argue that Japan could not take foreign initiatives without becoming deeply mired in insoluble political conflicts, which would increase her vulnerability to political and economic blackmail. Despite their country's recent involvement in political disputes in the Middle East and with South Korea, Taiwan, and Indonesia, they remain convinced that it cannot play a major economic role and still avoid offending others. Any Japanese effort to assume a position of leadership would frighten other countries who remember Japan's past record. Finally, they stress that if Japan had a domestic consensus on definite international goals, she would pursue them with such single-minded energy that, lacking built-in brakes in the system, she would ignore all limitations and end up in serious (if unspecified) trouble.

So far the latter group is in the majority, and probably will be able to prevent the adoption of a *policy* of greater political involvement. In the first place, the costs of greater involvement are immediately apparent

while the benefits are long-range and uncertain. More fundamentall
Japan has no tradition of constructive initiatives in foreign affai
especially when dealing with something as nebulous as 'the internatior
system'. The leftist opposition and the media—forces which tend to s
the agenda for foreign policy discussions—have been outside the pow
structure for so long that they do so largely in a negative way. Japan do
not want solutions imposed upon her and will insist upon having a voi
in matters that concern her, but her strength is so recently acquired th
she will only slowly overcome her historic inclination to look to others
take the lead. Thus Japan will continue to give top priority to econon
considerations in her foreign policy decisions, but no amount of effort o
her part will enable her to escape the increasing political turbulence h
growing economic role will generate.

Japan's *Ostpolitik* and the Soviet Union

JAMES SIMON

Détente has revived Japan's hopes for the return of the Kuriles, but so far the USSR has shown less interest in settling the issue of the disputed islands than in using it to secure Japanese economic co-operation and perhaps participation in an Asian security system.

THE visit of the Japanese Prime Minister, Kakuei Tanaka, to Moscow last October began on a disappointing note. He had expected that the 'summit talk' with the Soviet Union would be especially useful but found his hosts distracted by the renewal of fighting in the Middle East. Mr Tanaka had hoped to negotiate an extension of the spirit of détente to Tokyo's relations with Moscow, which have never been characterized by excessive cordiality and more often by the reverse. As much the same has been true of Soviet–German contacts, the Japanese believe the pattern of success in West Germany's *Ostpolitik* to be of particular relevance to them. Chancellor Brandt's policy was based on the dual principles of economic co-operation and resolution of the various territorial disputes that had hitherto prevented a rapprochement between the two countries. Mr Tanaka has taken the same road, but there are intrinsic differences, especially on the territorial question. Whereas the Germans faced the reality of the Soviet commitment to maintain the territorial status quo in Europe for what are generally held to be legitimate strategic and political reasons, the Japanese see the Russians as occupying in the Kuriles what for the USSR is a relatively insignificant area. The territorial issue has not the same gravity for Japan as it had for Germany, but in many ways it is more contentious. The territories lost by Japan to the Soviet Union as a result of the Second World War are by no means as extensive as Germany's lost eastern provinces, nor do they possess commensurate strategic importance. However, it is precisely this insignificance that hardens the Japanese position. The return of Okinawa by the United States served to underline Japan's last irredentist claim and consequently to exacerbate her relations with the USSR.

The Soviet interest in the islands,[1] apart from political considerations,

[1] The islands are from north to south: Etorofu, Kunaskiri, Shikotan, and Habomai. Habomai constitutes five small islands and adjoining reefs totalling approximately 38 square miles.

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is twofold and centres on the northern pair: they are economically attractive because of the rich fishing waters around them within the twelve-mile limit claimed by the USSR and their strategic location is useful in restricting access to the Sea of Okhotsk, effectively transforming it into an internal Soviet sea. The islands also provide sites for military air bases which could be used in strikes against the Japanese home islands, as well as in an interdiction role on the adjacent sea lanes. While the proximity of the Soviet presence on the islands[2] is clearly not conducive to Japan's sense of security, the source of the greatest irritation is the Soviet policy of seizing Japanese fishing vessels that happen to trespass within the twelve-mile limit (last year 1,400 boats and 12,000 crewmen were taken)

The Soviet position

The Russians' defence of their position has a triple theme—legal, historical, and ideological. Traditionally, the Soviet Union, owing to the unambiguous nature of the consent binding the contracting parties to a treaty, has accorded recognition to treaties as a fundamental source of international law. Since she has not yet concluded a peace treaty with Japan, her legal position must necessarily be based upon Japan's unconditional surrender—which implied ratification of the Yalta and Potsdam agreements promising the Kuriles and Sakhalin to the USSR. Japan's peace treaty with the United States, which forced her to renounce any irredentist claims to the Kuriles as well as to the southern half of Sakhalin, is also cited. The Soviets argue that their occupation at the end of the Second World War was in accordance with international law. The US-Japanese peace treaty of 1951 merely served to underline the legality of the Soviet assumption of sovereignty over the island. Legally, then, the Soviet Union maintains that 'Japan has lost forever the title to those islands which have joined Soviet territory'.[3]

The historical defence is founded upon Russian claims of primacy in the discovery, exploration, and subsequent exploitation of the disputed islands. Eighteenth-century Russian colonists encountered an aboriginal culture there which was subsequently absorbed into that of the settlers. The Soviets imply that the very existence of a non-Japanese aboriginal culture refutes any possible claim of Japanese priority, and that Russian sovereignty derives not only from geographical discovery and exploration but also from economic and cultural development of the islands.

The Soviets are, to quite a degree, imprisoned by their ideology which credits no capitalist country with legitimate motives—hence their tendency to misperceive the motives of the Japanese Government when the issue was resurrected in 1969–70. Moscow voiced the opinion that th

[2] The Habomai islet group and Kunashivi are actually visible from the northernmost of Japan's home islands, Hokkaido.
[3] *Radio Moscow*, 28 August 1971.

territorial question was merely used by the then Prime Minister, Mr Sato, to distract the Japanese people from the numerous internal difficulties which ultimately led to his replacement by Mr Tanaka; it therefore saw no real justification for initiating negotiations based on this 'absurd, anti-Soviet' campaign.[4] This argument does not ring true; the Japanese Communist Party (JCP) Chairman, Kenji Miyamoto, on his visit to Moscow in September 1971, must have enlightened the Soviet leadership as to the unanimity of Japanese public opinion on the Kuriles issue. Even the JCP supports the return of the northern territories and indeed is more extreme, demanding the return of the entire Kuriles chain, whereas the ruling Liberal Democrats have sought only the southern four islands.[5] Theoretically, any abandonment of the territorial 'gains of socialism' runs counter to the Marxist–Leninist view of history. Therefore those who would promote such a policy are exposed to very real political danger as a result of slipping into a 'revanchist position'.[6] These rather unconvincing ideological arguments appear, however, to be to some extent mere window-dressing for more cogent political reasons.

The net value of the disputed territories is in fact minuscule when compared to what might be gained by granting Japan's demands. Apparently the decisive stumbling block is Moscow's fear that even the most trivial concession could irreparably compromise the Soviet title to areas presently under dispute. Claims to the vast areas of Siberia advanced by the People's Republic of China (PRC) are especially worrying. The Soviet leaders reasonably feel that to grant territorial concessions to capitalist Japan while refusing Chinese demands could conceivably precipitate a new crisis along the Siberian river borders.

However, when the Soviet Foreign Minister, Andrei Gromyko, visited Tokyo in January 1972, the joint communique concluding his talks with his Japanese opposite number, Takeo Fukuda, included a phrase expressing willingness to hold peace talks within the year. Given the well-known Japanese insistence that any peace treaty must provide for the return of the disputed islands, the inference was that the Soviets were willing to discuss the issue for the first time since 1956. This unexpected softening of the Soviet attitude should be viewed in the light of Moscow's expectations from the Conference on Security and Cooperation in Europe (CSCE), from which it hopes to gain, as a minimum, international confirmation of the status quo in Eastern Europe. Guarantee of the Soviet position in Europe would remove the last lingering possibility of 'revanchist' irredentist claims, allowing more flexibility in dealings with Asia. Normalization of relations with Japan would bring

[4] For a typical Soviet opinion on this issue see I. Latyshev 'Japan: A New Stage in Policy', *International Affairs* (Moscow), No. 12 (December 1972), pp. 35–42.

[5] See Joseph C. Kun, 'Soviets Contradict Miyamoto on Kuriles Issue', NRCPS Research Report No. 1166, *Radio Free Europe Research*, 27 October 1971.

[6] See V. Ovchimkov, *Pravda*, 24 November 1972.

tangible political and economic benefits, especially by discouraging through interlocking arrangements the development of closer ties between Japan and the PRC.

In addition, the Soviet leaders have shown increasing enthusiasm for the establishment of a collective security system in Asia. The proposal is based upon a network of bilateral treaties confirming existing boundaries, coupled with the renunciation of war as a viable instrument of national policy. The course of Soviet–European détente suggests that the scenario for Asia might not be dissimilar: with the completion of various bilateral treaties, the resultant system could presumably be legitimized at an Asian security conference on the lines of the CSCE. The USSR would be expected to seek to resolve as many outstanding differences as possible prior to the start of such a conference. Thus Japan could expect the return of the Kuriles as part of the Soviet preparation for Asian détente and would therefore have a corresponding interest in supporting the Soviet proposal. By allowing the conference to begin in an atmosphere of compromise, the Soviet Union would hope to reap the initial advantage against the expected intractability of the PRC.

In reality, Moscow has few illusions concerning the probability of a successful conclusion to its Asian collective security campaign. What it does hope to accomplish is China's further isolation from her Asian rivals, India and Japan. The Indians are indebted to the USSR for support in the Bangladesh war and have demonstrated their gratitude by extending port rights to the Soviet fleet. The visit of Mr Brezhnev last November was intended to remind India tactfully of earlier Soviet aid and, coupled with other agreements scheduled to be signed during the visit, to gain Indian endorsement of the Soviet proposal for Asian collective security. That Brezhnev was disappointed is not particularly comforting to Peking.[7] There is no assurance that India may not yet reconsider and accept this proposal, especially if Mrs Gandhi should seek to resurrect Mr Nehru's foreign policy. Furthermore, all three principals are aware that India continues to maintain irredentist claims against China resulting from the Himalayan war of 1962.

The Japanese complete the Soviet equation. Japan's relations with China have historically been characterized by a mixture of deference and respect on the one hand and fear and condescension on the other. China has continued as the standard by which all facets of Japanese culture are measured. Contemporary Communist China has not the same prestige or attraction as her Imperial predecessors but she has remained the recipient of the ingrained respect traditionally accorded by the Japanese. Moreover, in recent years, the power derived from China's multitudes has been increased by that of nuclear technology, heightening Japan's fear and respect. The Soviets undoubtedly expect the economic oppor-

[7] See *Hsinhua*, 24 November 1973.

tunities available in Siberia to far outweigh Japan's traditional fascination with a China whose economic prospects are questionable. The 'Nixon Doctrine' and the concomitant weakening of Japan's sense of security make the implied offer of Soviet nuclear protection against China not wholly unwelcome.

The Russians seem to some extent to want to replace the former distraction of China by her hostility to Britain and the United States with concern about India and Japan. Certainly if the Soviets are willing to isolate the PRC further by meeting Japanese demands,[8] they will be in a better position to concentrate their foreign policy on containing the Chinese, in the hope that with Mao's death, the Peking leadership will be more amenable to Soviet initiatives and, if not willing to drop completely its irredentist demands, at least to modify them substantially.

The Japanese position and Tanaka's visit

The Japanese position is rather straightforward. They insist that the islands in question, while geographically part of the Kuriles chain, are practically and historically an integral component of Japan. In any event, they were not the fruits of imperialism but were in fact peacefully ceded to Japan by the Imperial Russian Government in exchange for Japanese claims to Sakhalin in 1875, a point rarely mentioned by the Soviets.[9]

During the negotiations that preceded the signing of the 1956 Japanese–Soviet Joint Declaration ending the legal state of war between the two countries, the Russians did offer to return the southernmost two islands. This offer was rejected outright as unacceptable. The Japanese were reluctant to jeopardize their claim by settling for 'half a loaf' and possibly providing *de facto* if not *de jure* recognition of Soviet sovereignty in Kunashiri and Etorofu. For its part, Moscow withdrew the offer, thereby not being on record as having contemplated even partial recognition of Japan's claim.

The former Prime Minister, Eisaku Sato, had repeatedly refused to travel to Moscow without prior progress in the Northern Territories dispute and this attitude had received wide public support. When Mr Tanaka agreed to make the journey last year, he did so accepting at face value the Gromyko–Fukuda communiqué implying willingness to discuss the territorial dispute. The Japanese are not naïve enough to base their hopes on an optimistic interpretation of an ambiguous communiqué, and his decision to undertake the Moscow trip was likely to have been founded upon the appreciation that the Soviet Union might now find

[8] The implication of the collective security proposal is that the USSR is willing to do just that since the Japanese will most certainly not retreat from their position of the last three decades and any even partially useful system must include Japan.

[9] For a detailed and persuasive account of Japan's claim see Omori Shigeo, 'Japan's Northern Territories', *Japan Quarterly*, No. 1 (January 1970), pp. 18–26.

some advantage in acceding to Japanese demands. He had two bargaining cards of not inconsiderable value: economic co-operation and possibilities in the area of collective security.

Economic co-operation

In terms of raw materials Japan is an importer nation par excellence, being wholly dependent upon others for basic raw materials. Of unique relevance in today's 'energy crisis', 99·7 per cent of her petroleum requirement comes from abroad. While the annual rate of increase of world oil consumption has risen 5 per cent, Japan's has grown at a rate of 12 per cent per annum with the result that she is the world's second largest consumer of energy after the United States.[10] Keenly aware of the endemic instability of the Middle East and the resultant effect on production and distribution of crude oil, Japan has been active in diversifying her procurement policies primarily by increasing her imports from the USSR.

From the Soviet point of view, increased economic co-operation is highly desirable. Although Japanese–Soviet trade agreements provide for balanced trade, the Soviet Union has always enjoyed a favourable balance against Japan. Between 1964 and 1971, Japan's annual deficit averaged $164 m., based on an annual trade averaging $632 m.[11] This profitable trade is a significant earner of foreign exchange for the USSR. Japan's participation in the development of Siberia is not inconsiderable. Agreements have been reached on the exploitation of timber and mineral resources to include appropriate infrastructural development. An $80 m. credit advanced to assist the Soviet Union in the development of the port of Vrangel is expected to increase the cargo handling capacity of the Soviet Far East by 150 per cent. With an eye to the energy shortage, Japan has been negotiating with the USSR on the construction of a pipeline from the Tyumen oil fields in Western Siberia to the eastern port of Nakhodka, over 4,000 miles away. In return for this aid as well as assistance in developing the Tyumen fields themselves, the Japanese were to receive 40 million tons of oil per annum. Although this project is of intense interest to the Soviets, it was endangered a short time before Mr Tanaka's visit by the announcement that Japan could expect only 25 million tons per annum. The hardening in the Soviet position was designed to put pressure on Japan to grant the USSR the lower interest rates usually extended only to developing countries. The outbreak of conflict in the Middle East, by threatening to reduce oil imports, fortuitously enhanced the toughened Soviet position.[12]

[10] Normal Pearlstine, *The Wall Street Journal*, 19 October 1973; also Peter Duming, *The Financial Times*, 9 October 1973.

[11] *The Summary Report, Trade of Japan No. 12* (Tokyo: Japan Tariff Association, 1971), p. 56.

[12] The Arab oil embargo, despite its relative inefficiency, has spurred Japan's

Apparently the Russians met with a measure of success, for upon the rime Minister's return from Moscow he announced that the Japanese ıd Soviet Governments would endorse any private contracts that may e concluded. Moscow is seeking $1,000 m. for the main project at 'yumen and an additional $4,000 m. for projects to develop continental ıelf oil and natural gas in Sakhalin and coking coal and forestry in outhern Yakut. Japan settled for 25 million tons of oil in exchange, with ıe interest rate on the loans remaining unclear. This was something less ıan what was sought by Moscow, as the agreements fell short of unquali- ed backing by the Japanese Government. The inclusion of the United tates, although jointly agreed upon, further weakens the Soviet nego- ating position in the matter of interest rates and levels of repayment.

The Siberian development proposals, especially the construction of the ans-Siberian pipeline, create numerous political and strategic prob- ms for China who continues to assert an irredentist claim to Eastern iberia. According to one report from Peking, the Chinese were suffi- ently concerned to be prepared to discuss the implications of these rojects with the US Secretary of State, Dr Kissinger, during his visit to eking, with the aim of forestalling American participation.[13] Rapid rowth in the Siberian infrastructure to be followed by increased Soviet nigration would tend to undermine the strength of the Chinese claim. /hat action if any China may take remains to be seen but the consum- ıation of the Soviet-Japanese proposals will add yet more fuel to the crimony presently characterizing Sino-Soviet relations.

ollective security

On the subject of collective security, Mr Tanaka was more constrained. 'e clearly wants to avoid antagonizing the Chinese and at the same time unwilling to replace the American guarantee with the more dubious oviet one. Undoubtedly the USSR could be expected to put pressure ı Japan to abrogate her security treaty with the United States; this far ıe Japanese are not prepared to go. When, in the wake of the American ıitiative, Japan acted to normalize relations with China, Moscow

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terest in diversification of her petroleum supplies. One source is, of course, the SSR, and Japan may well have to alter the present policy on interest rates tended to Moscow. That this may lead to closer relations between the two is fficiently worrisome to the Chinese for them to let it be known that they would ortly be able to supply Japan with 5 million tons per annum. (This amount is ual to only one week's consumption.) Additionally, as the Paracels incident dicates, the Chinese are aggressively seeking to expand their own energy sources, in part to counterbalance whatever advantages might accrue to the SSR from providing petroleum to Asian users. However, there is little likelihood either China or the USSR soon replacing the Arab states as the major supplier even gaining a substantial share of the market. See Hedrick Smith, *The New ork Times*, 14 January 1974, and Joseph Lelyveld, *ibid.*, 14 January 1974.

[13] Clare Hollingworth, *The Daily Telegraph*, 5 October 1973.

began to realize the inherent weakness of its Far Eastern policy which maintained not only the hostility of China but of Japan as well.[14] This was reflected by the Soviet news media prior to Tanaka's visit; particular emphasis was placed on the role that could be played by Japan in Asian security and it was strongly implied that the Tanaka visit was concerned primarily with this issue. Mr Brezhnev echoed these sentiments at a luncheon in honour of the Japanese Prime Minister:

> [Japan] . . . can and must play a great role . . . to strengthen universal peace and develop peaceful co-operation among all countries . . . we would welcome co-operation between the Soviet Union and Japan . . . in the interests of consolidation of peace and security in Asia and the world.[15]

Whether Japan is willing to go as far as the Soviets would like is extremely unlikely. Ties with the United States and the growing intercourse with the PRC will not be carelessly endangered. Undoubtedly the Japanese are unwilling to acquiesce in any agreement to preserve the status quo in Asia prior to the return of the Northern Territories which once again prove to be the difficulty. Reports are contradictory, but the Russians did apparently offer the return of the Kunashiri and Habomai as they did in 1956 and were once again rebuffed. On the larger question they remained immovable. Whether this was due to the Middle East crisis and its effect on the Japanese bargaining position is debatable, but it is more likely that the cause was uncertainty over the future course of détente. Prudently, the Soviets assumed a 'wait and see' attitude, clearly preferring to secure their European borders before settling with Japan.

As was to be expected, the Japanese were bitterly disappointed. Mr Tanaka pointedly reminded his Soviet hosts that the sooner a peace treaty could be signed the better. The Japanese are understandably impatient, but despite the personal pique of Mr Tanaka this will not seriously hamper co-operation as long as the issue remains 'negotiable'. What is strange is why Mr Brezhnev and his colleagues did not make a greater effort to charm the Japanese. Possibly distracting concerns over the Middle East and the future of détente were a factor. Then there is considerable natural antipathy between the two countries as a result of numerous wars, declared and undeclared, and the anti-Asian racism so prevalent in the USSR. Finally, it may be only a recurrence of that curious short-sightedness that often marks Soviet policy with its dialectical constraints. Whatever the cause, the inference is plain—the Japanese will just have to await the Soviet pleasure.

[14] For views on China's role in Soviet–Japanese relations see R. M. V. Collick, 'The "New" Japanese Foreign Policy', *The World Today*, February 1973, pp. 84–6; also Klaus Bender, *Frankfurter Allgemeine Zeitung*, 18 October 1973, and Theodore Shabad, *The New York Times*, 5 November 1972.

[15] Tass, 8 October 1973.

Results?

None the less, the outcome of Mr Tanaka's talks with the Soviet leaders, described as 'frank and business-like', seemed to be partially successful. The co-operation agreed in regard to Siberian development should ensure continued prosperity for the dynamic Japanese economy. The petroleum pipeline project alone, with its proposed 4,000 mile length, constitutes a windfall of immense magnitude to Japanese steel manufacturers. While there was disappointment and some anger in the business community over the 15 million ton oil reduction, the possibility of a negotiated increase and the other lucrative projects should go a long way to salve Japanese feelings. Further, the Japanese hope that Soviet interests will spur Moscow's intercession on the matter of the Arab states' oil boycott.

On the Kuriles dispute, the Prime Minister did at least secure Soviet agreement to continue talks at an 'appropriate period' next year. The mere fact that the USSR recognizes this dispute as negotiable is a reasonable cause for hope. With the presumed success of the Soviet campaign for European détente, the Japanese expect to be able to reacquire the Northern Territories, although probably increased economic aid will be a part of the final price.

Mr Tanaka's evident refusal to join the USSR's collective security system in Asia preserves some additional room for manoeuvre, while at the same time avoiding to put a strain on Japan's relations with China and the United States. It is probable that Japan will agree to talks on the lines of the CSCE, but again not before the return of the disputed islands. Thus her *Ostpolitik* seems to be off to a fitful start but nevertheless a start, and normalization of relations between the two countries is now a distinct possibility given parallel progress toward European détente.

The 1973 elections in Turkey and Israel

JACOB M. LANDAU

LATE in 1973, general and local elections were held in both Turkey and Israel.[1] In Turkey, elections for the National Assembly and a third of the Senate were held on 14 October; local elections followed on 9 December. In Israel, elections for the unicameral Knesset and for the local authorities were both held on 31 December. This article, which deals only with the parliamentary elections, attempts a preliminary comparison between the issues, the campaigning, and the results.

Despite differences in size, there are obvious resemblances between the two countries, particularly in their political systems. Both states were established after world wars which had caused their peoples great loss of life, and both expended further blood in the struggle for independence. Both are republican, stressing the goal of modernization; both labour for economic independence, their difficulties aggravated by the swift growth in population. Lastly, both are strongly oriented towards the West, mainly the United States—a fact noticeable in their foreign policies and in many facets of everyday life.

There are therefore interesting common features in their political life. Since the late 1940s, both states enjoyed multi-party systems, numerous small parties and groups contributing to the fragmentation of politics. Throughout, however, two mass parties or blocs, which may be loosely named 'left of centre' and 'right of centre', have dominated the scene. In addition, religion-oriented parties have existed in Israel since her inception, in Turkey only very recently. Nevertheless, there has been considerable consensus in both states on such basic issues as maintaining parliamentary democracy; this is particularly important in view of the special place of the military in their national life—due to their geopolitical position and their ethnic isolation in the area. Despite the tens

[1] For the elections of 1969, see W. F. Weiker, 'Turkey's elections may bod ill', *Mid East*, December 1969, pp. 10–13, 32–34. M. P. Hyland, 'Crisis at th polls: Turkey's 1969 elections', *The Middle East Journal*, Winter 1970, pp. 1–1 J. M. Landau, 'Turkey from election to election', *The World Today*, April 197 pp. 156–66. Alan Arian, ed., *The elections in Israel—1969* (Jerusalem Academ Press, 1972).

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ituation in both countries, the elections were absolutely free; in Turkey, nartial law had been completely lifted only three weeks before polling; n Israel, election day came just ten weeks after a ceasefire with Egypt and yria.

In Turkey, eight lists of candidates and a number of independents conested the 450 seats in the Assembly and 52 in the Senate. In Israel, wenty-one parties (the smaller being not unlike the Turkish 'indepenlents') competed for all 120 seats in the Knesset. In Turkey, an intensive ampaign highlighted such socio-economic issues as the unequal distriution of wealth, fast-rising prices, and growing unemployment; candilates and groups had to take a stand on reforms and the ways to achieve hem. Israel's elections were first set for 30 October; campaigning tarted, as in Turkey, emphasizing the hardship inflation had caused the oorer classes; national security and foreign relations took second place n the issues discussed. The October war naturally reversed the order.

The sometimes heated campaigns moved into top gear in both counries in the final three or four weeks. Nationally-known candidates ddressed mass rallies, chiefly in the main cities; lesser figures spoke in he smaller localities. In Turkey, these were usually open-air meetings ttended by thousands, party leaders arriving in car convoys, banners aised and drums beating. Gatherings of the smaller parties or the indeendent candidates were attended by at most hundreds. In Israel, meetngs were generally held in public halls and, although less spectacular, hey were no less numerous and emotional; in addition, at many 'house atherings' party spokesmen presented their case to sympathetic and ttentive—but as yet partly undecided—audiences.

Propaganda was intensified with the increased use of the mass media. eaflets were distributed and the press inundated with letters, articles, nd advertisements. While Turkey's numerous newspapers are pracically all in Turkish, Israel's appear in Hebrew, Arabic, and a variety of ther languages—to serve a readership largely made up of new immirants. In both states, newspapers supported the candidates of their hoice in news and feature articles; independent ones accepted advertisenents from some, or all, contestants, presenting their platforms and ppealing for support.

The law of both countries provides for free time to candidates on both adio and television (in Israel, television campaigning was introduced in 973). In Turkey, nationally prominent leaders of all competing parties sed these media—usually Cabinet ministers, party chairmen and their ssistants, or secretaries-general. In Israel, the larger parties also gave the hance to appear to new, younger candidates (to attract young voters), or o well-known personalities, such as intellectuals or professors. Further, here was a language problem in Israel: her 400,000-strong Arab minority an be better approached in Arabic, though younger Arabs know

Hebrew well. The country is bilingual, as are its radio and television; the parties had to decide whom to address and how. Several parties filmed special television programmes to solve this problem visually, and increase their appeal.

In Turkey, the smaller parties directed their campaign at the Justice Party, a right-of-centre majority party. In Israel, opponents strongly attacked the Alignment, a left-of-centre majority grouping. In other words, a determined campaign was mounted in Turkey to prevent a right-of-centre, and in Israel a left-of-centre, electoral success. Both efforts were productive, although not equally successful.

The results

Partly due to the intense propaganda, voting was fairly heavy. In Turkey it reached 66·8 per cent (compared with 64·3 per cent in 1969), in Israel 78·6 per cent (81·7 per cent). In both cases, the results contained several surprises.

In Turkey, of 16,798,164 eligible voters, 11,223,843 voted in the sixty-seven constituencies for election to the Assembly. 500,185 were blank or invalid votes. There remained 10,723,658 valid votes, distributed as shown in Table 1 below.[2] In the Senate elections, 49 Senators were elected in 27 constituencies, a further 3 in by-elections. The same parties participated. In percentages, the overall results were not very different. The 52 new seats were apportioned as follows: RPP 25, JP 22, NSP 3, RRP 1, Independent 1.[3]

In Israel, 1,601,098 of the 2,037,478 eligible voters went to the polls, the whole country being considered a single constituency. 34,243 were blank or invalid votes, leaving 1,566,855 valid. However, eleven out of the twenty-one competing lists received less than 1 per cent of the total valid vote, and the votes they obtained were consequently not considered in the distribution of seats in the Knesset. The votes of the remaining ten lists were allotted as shown in Table 2 below.[4]

In both Turkey and Israel the largest party, that of the Government, suffered serious electoral losses. The Turkish JP, a right-of-centre mass party which had governed since 1965, not only lost its majority but fell a long way behind RPP; some of its national leaders failed to gain election to the Assembly (although in the Senate it did almost as well as RPP). JP Governments had succeeded in raising the country's GNP substantially, but had failed to stem inflation or eradicate violence. This had led the military to intervene on 12 March 1971 by presenting a Memorandum

[2] These and the figures in Table 1 are based on the data in the official *Resmî Gazete*, No. 14698, of 31 October 1973, and on the Turkish press.

[3] For fuller data, including the relevant figures, see the weekly *Devir*, 22–28 October 1973, p. 26.

[4] These and the figures in Table 2 are based on data in the official *Yalkut Hapirsumim*, No. 1979, of 11 January 1974, and the Israeli press.

Table 1. *National Assembly vote*, 1969 *and* 1973, *by party*

	1973			1969		
	Voters	%	*Seats*	*Voters*	%	*Seats*
Republican People's Party (RPP)	3,570,583	33·3	186	2,487,006	27·4	143
Justice Party (JP)	3,197,897	29·8	149	4,229,712	46·5	256
National Safety Party (NSP)	1,265,771	11·8	48	—(*a*)	—	—
Democratic Party	1,275,502	11·9	45	—(*a*)	—	—
Republican Reliance Party (RRP) (*b*)	564,343	5·3	13	597,818	6·6	15
Nationalist Action Party	362,208	3·4	3	275,091	3·0	1
Union Party of Turkey (*c*)	121,759	1·1	1	254,695	2·8	8
Nation Party	62,377	0·6	—	292,961	3·2	6
New Turkey Party (*d*)	—	—	—	197,929	2·1	6
Labour Party of Turkey (*d*)	—	—	—	243,631	2·7	2
Independents	303,218	2·8	5(*e*)	511,023	5·7	13
Total	10,723,658	100·0	450	9,089,866	100·0	450

(*a*) *Did not run in 1969.* (*b*) *Called 'Reliance Party' in 1969.* (*c*) *Called 'Union Party' in 1969.* (*d*) *Did not run in 1973.* (*e*) *One of the six Independents joined RPP, increasing its representation to 186.*

which compelled the Cabinet's resignation and discredited JP. The party's programme promised prosperity and offered such inducements as a reduction in income tax, the legalization of the claim of shanty-town dwellers to own their illegally-built homes, and electricity for every village. However, its campaign was too backward-looking and defensive.[5]

JP's main rival and the winner of these elections was Turkey's oldest mass party, RPP, which apart from a brief interval in the early 1960s, had been in opposition since 1950. Although forty seats short of an absolute majority, RPP's achievement was impressive. In a press interview, its Chairman, Bülent Ecevit, attributed the success to dissatisfaction with inflation, and to the desire for change.[6] One might add that the party's

[5] See Professor Cahit Talas in *Milliyet*, 11 October 1973.
[6] *ibid.*, 17 October 1973 and *7 Gün*, 24 October 1973, pp. 14–21.

Table 2. *The Knesset vote, 1969 and 1973, by party*

	1973			1969		
	Voters	%	*Seats*	*Voters*	%	*Seats*
Alignment	621,183	39·7	51	632,035	46·2	57
Front (*a*)	473,309	30·2	39	355,341	26·0	32
National Religious Party	130,349	8·3	10	133,238	9·7	12
Agudat-Israel—Agudat-Israel Workers	60,012	3·8	5	68,970	5·0	6
Independent Liberals	56,560	3·6	4	43,933	3·2	4
New Communist Party	53,353	3·4	4	38,827	2·8	3
Movement for the Citizen's Rights	35,023	2·2	3	—(*b*)	—	—
Progress and Development	22,604	1·4	2	28,046	2·1	2
Moked (*c*)	22,147	1·4	1	15,712	1·1	1
Bedouin Arab List	16,408	1·0	1	—(*b*)	—	—
Others	75,907	5·0	—	51,641	3·9	3
Total	1,566,855	100·0	120	1,367,743	100·0	120

(*a*) *The 1969 vote sums up the votes received by the groups which joined forces in 1973.* (*b*) *Ran in 1973 for the first time.* (*c*) *A new group, made up of the supporters of the Israel Communist Party in 1969.*

success was largely Ecevit's personal achievement. In 1965, as the party's Secretary-General, this writer-statesman had given it its left-of-centre character. After the elderly Ismet Inönü broke with the party, Ecevit (aged forty-eight in 1973) became its Chairman and gave it a more youthful look. Indeed, RPP campaigned as 'The New RPP'.[7] Because of its long record, its opponents failed in their attempt to brand it as a quasi-Communist party. It succeeded in presenting a social-democratic, rather than a socialist, image. RPP's aggressive, efficient, and forward-looking campaign presented it as the alternative to JP, arguing that it was the sole party of socio-economic reform and rural development, and the only one supporting progress and freedom of thought (the party was for pardoning

[7] *Cumhuriyet*, 4 October 1973.

all those convicted of 'political and thought crimes'). Ecevit was helped by dedicated cadres, and also tirelessly campaigned in person throughout Turkey.

The Israeli Alignment, which had long led coalition Cabinets, suffered substantial losses. The all-Arab lists allied to the Alignment also lost a seat. Although, with 54 seats, the Alignment remained the largest group, it lost its narrow overall majority: with its Arab allies it had formerly held 61 seats. Led by the Prime Minister, Mrs Golda Meir, the Alignment admitted responsibility for the lack of preparedness for the October 1973 war. It maintained, however, that it was the only political formation capable of preventing another war and guiding Israel towards a lasting peace—as the opening of the Geneva peace talks proved—while also taking good care of Israel's security needs.[8]

The Front was a new right-of-centre grouping of parties (the largest of which were *Herut* and the Liberals), formed just before the elections with the declared aim of providing an alternative government. Although it gained seven seats and won thirty-nine Members of the Knesset, the Front was still a long way from an absolute majority. Nevertheless, a single opposition grouping now had virtually one-third of the Knesset seats for the first time in Israel's parliamentary history. It had (with some success) blamed the results of the October war on the Alignment's policies and accused it of preparing a sell-out of Israel's 'secure frontiers'. The Front repudiated its warlike image, presenting itself as a peace party, one whose very firmness would ensure a more advantageous peace.

It is hardly surprising that the vote in Israel's Defence Forces (counted separately) showed stronger support for the Front than for the Alignment, and much more so than countrywide. Although the exact figures are classified, it was reported in the press[9] that the Front obtained about 41·5 per cent of the military vote, the Alignment 39 per cent. Many reservists who had been called up in October had not yet been released and therefore voted in the military polls. There were also many new voters, including those aged eighteen;[10] possibly some of these youths disliked the Alignment's ageing leadership, and its unbroken grip on most key positions in government and bureaucracy.

Despite these changes of fortune, in both Turkey and Israel the two mass parties together hold roughly three-quarters of the parliamentary seats. No party gained an absolute majority—which underlines the dis-

[8] These views were elaborated in a '14-points' platform; see *Ma'ariv*, 29 November 1973, and *Haaretz*, 30 November 1973.

[9] See *Ma'ariv*, 6 January 1974.

[10] Those having the right of vote for the first time in 1973 numbered about 285,000. Early in December 1973, a new law enabled all those aged eighteen on election day to vote—approximately 17,000 potential voters. Formerly, only those born on or before 31 December of the year preceding the elections were enfranchised.

proportionate bargaining strength of the third largest party. In both countries, these third forces are religion-oriented parties.

The 'religious' vote and other parties

For the first time in Turkey's parliamentary history, a party with an obvious Islamic orientation participated actively in general elections—and did remarkably well. The National Safety Party[11] was a new political formation; its life and soul was Necmettin Erbakan, who had quarrelled with JP's Chairman, Süleyman Demirel, and in January 1970 left the party to establish his own group, the Party for National Order. The group was banned and dissolved by the Constitutional Court after the March 1971 military intervention, for exploiting religion in politics. This did not prevent the NSP from campaigning in 1973 as a nationalist, pro-Islamic party, although it also called for socio-economic reform and a welfare state. One of its main slogans was 'Allah and Morals—First and Foremost'. The party campaigned for encouraging the values of Islam in education and morals, and against such irreverence as mini-skirts and the showing of films disrespectful to religion. NSP's remarkable electoral success was a tribute to Erbakan's leadership and skill in mounting a religious campaign in secularist Turkey without breaking the law. Other Turkish parties felt obliged to support freedom of religious practice and belief. NSP, however, sounded more convincing. Religious officials were placed conspicuously on the party's lists. Out of 93 'religious' candidates, 48 or more than half, were sponsored by NSP. Of these, 10 had top place and therefore the best chance of election.[12] In the event, of NSP's 48 successful candidates, 7 were religious officials.[13]

In Israel, two religious groups contested the election: the more moderate National Religious Party, and *Agudat-Israel* ('The Bond of Israel') together with a workers' organization affiliated with it. Although each group lost one-sixth of its seats, they remained jointly the third largest parliamentary grouping—as in most previous Knessets. Most of the support they lost seems to have floated to two new competing lists of religious candidates (which, incidentally, did not gain Knesset representation). The religious parties campaigned for a more substantial place for religion in legislation and education. They called for better public morals and a redefinition of Jewish identity on strictly orthodox lines; the more extreme demanded laws compelling public observance of the Sabbath, and for the cessation of post-mortems by doctors and medical students.

Other parties played a less important role in national politics. In Tur-

[11] Sometimes mistranslated as 'National Salvation Party'. The Turkish name, *Millî Selamet Partisi*, is difficult to render into English. *Selamet* means 'safety' or 'well-being' and has a religious connotation.
[12] Chiefly based on an investigation carried out and published by the daily *Tercüman*, 5 October 1973.
[13] *Günaydin*, 17 October 1973.

key, the Democratic Party[14] was led by a group of forty-one parliamentarians who had broken away from JP; their gaining 45 seats in 1973 can hardly be regarded as spectacular—though they wrested both votes and seats from JP. Representing mainly the provincial bourgeoisie and big landowners, the party proclaimed itself nationalist, democratic, and rightist, and called for determined government—which only it could provide—to forestall the Communist danger.

The Republican Reliance Party was formed by a fusion of the Reliance and the Republican parties, the latter comprising a group which had left RPP after the 'takeover' by Ecevit and his supporters. The new party campaigned for prosperity, economic development, freedom of thought and publication, and against Communism, anarchy, and the black market. It lost ground probably because its amalgamated leadership was suspect, and because its leaders had served in Cabinets after the military intervention of 1971 and had failed to stem inflation and provide employment.

The Nationalist Action [or Movement] Party, despite its modest vote, increased its popular support and tripled its representation; many of its votes were 'lost' because of the plurality electoral system. This was a right-of-centre, strongly nationalist and anti-Communist party, headed by a retired Colonel, Alparslan Türkesh, who had been actively involved in the 1960 military intervention. The party campaigned for firmer leadership of a great, strong, and prosperous Turkey, based on nationalism and high morals as well as on industrialization and improved technology.

The Union Party of Turkey and the Nation Party were groups relying respectively on the support of the Alevi minority and on conservative landowning circles. Suffering from a lacklustre leadership, they adopted a reformist attitude, which struck voters as unconvincing.

In Israel, the Independent Liberals maintained their electoral strength. They were a small party, campaigning chiefly for civil rights, the improvement of government by instituting better decision-making processes, the curtailment of what they considered the encroachment of demands by religious parties on individual rights, and the ceding of Israeli-held territories in return for a stable peace. This moderate platform was not essentially different from that of a new list, the Movement for the Citizen's Rights. This group spotlighted waste, corruption, and bureaucratic inefficiency. The surprising support it obtained was largely a protest vote against the party machines.

The New Communist Party, led by both Arabs and Jews, toed Moscow's line. Its platform called for a peace in which Israel would return all the territories held since the 1967 war, in exchange for the

[14] Not to be confused with the Democrat Party, which governed Turkey from 1950–60, and was banned after the first military intervention in May 1960.

recognition of her sovereignty by the Arab states and the right of passage through the Suez Canal. Guaranteeing the rights of the Palestinians was another basic point in the party's platform. It gained ground largely among the Arab minority, approximately a third of which voted for it.[15]

Moked ('Focus'), which gained only one seat, consisted essentially of members of the Israel Communist Party, which had shrunk after the 1965 rift. The group projected itself as the only Zionist and Socialist group seriously concerned with preventing a new war and attaining peace, and truly seeking radical social reform.

The urban vote

In both countries, the parliamentary elections demonstrated the importance of the urban vote. In Turkey, RPP obtained much of its support in the cities. This had added significance because of the speedy growth in urban population, caused largely by migration from the villages: in 1973, Istanbul had 1,750,747 eligible voters, 546,851 more than in 1969; Ankara 948,200, an increase of 190,975. Consequently, Istanbul's representation in the Assembly rose from 33 to 38, Ankara's from 24 to 26, and several other towns by one. Rural representation fell proportionately. The increase in education and industrialization, mainly in urban areas, favoured RPP, traditionally supported by intellectuals.

On the other hand, price increases worked against JP. In such workers' neighbourhoods as Istanbul's Zeytinburnu and Tashlıtarla, the vote in 1969 had gone 3:1 for JP, as against RPP; the ratio was inverted in 1973.[16] Many shantytown inhabitants, too, angered at rising prices, switched from JP to RPP. In the smaller towns, or *kasabas*, and in the non-industrialized rural areas, many switched from JP to NSP. In some Anatolian villages, JP supporters abstained, protesting against unemployment, high prices, and bureaucracy.

All considered, however, JP lost more heavily in urban centres. The same may be said about Israel's Alignment, whose support declined sharply in the cities, often to the benefit of the Front.[17] Interestingly, the Alignment's main urban support came from the richer, better-established sections, while the Front did best in the poorer. In such poor quarters as Mahane-Yehuda in Jerusalem and Hatikva in Tel-Aviv, the Alignment's vote fell by 9 per cent from 1969. In the poor quarters as a whole, the Front obtained 43 per cent to the Alignment's 22 per cent in Jerusalem, 41 per cent to 32 per cent in Tel-Aviv, and 37 per cent to 29 per cent in

[15] The New Communist Party had also obtained a sizeable Arab vote in earlier elections. *Cf.* M. M. Czudnowski and J. M. Landau, *The Israeli Communist Party and the Elections for the Fifth Knesset, 1961* (Stanford: The Hoover Institution, 1965).

[16] Calculated by Ismail Cem, in *Milliyet*, 16 October 1973.

[17] Details computed by H. Smith in *Haaretz*, 8 January 1974. See also M. Rabinowitz, 'Oriental community shifts clearly towards the Likud', *The Jerusalem Post*, 9 January 1974.

Haifa. The Front made impressive progress, too, in the poorer sections of the medium-sized towns.

This might seem surprising, since the Alignment's image was that of left-of-centre and the Front's to the right. The explanation is that these differences have now been blurred, and that the better-earning groups wish the continuation of the socio-economic status quo, while poorer people hope for a change. This was therefore a protest vote for the main opposition party, in Israel no less than in Turkey.

The aftermath

In both Turkey and Israel, the 1973 elections were probably the most significant of the last quarter-century, having come close to bringing about a change of regime. In both, the situation was reflected in the protracted negotiations for the formation of a coalition Cabinet. The party which had won a plurality of seats had to deal with partners who were mutually exclusive: the obvious alternative was to agree to terms with the largest opposition party, or one or two smaller partners. In both countries, the left-of-centre winning party chose (for historical or personal reasons, and for tactical considerations) not to share the Government with its major rival, the large right-of-centre parliamentary group.

Turkey's President, Fahri Korutürk, was compelled to appeal for a speed-up in negotiations and after 104 days, on 26 January 1974, RPP teamed up with NSP. RPP apparently preferred a religiously-minded partner, which it considered less disparate in economic outlook and more amenable to sharing daily political chores. Actually, NSP differed from RPP's strongly secularist ideology, but both had common attitudes in the economic sphere. The two parties agreed on the need for land and tax reforms, on voting rights for eighteen-year-olds, on an amnesty for political prisoners, and a speedy solution to the financial problems of the poppy-growers (who lost their income when Turkey banned opium production). Ecevit was appointed Prime Minister, Erbakan Vice-Premier. RPP obtained most portfolios, NSP receiving those of the Interior, Law, Agriculture, and Commerce.

In Israel, a diminished Alignment plurality was faced by a stronger Front, with which it refused even to consider partnership, mainly because of the Front's tougher attitudes towards a peace settlement. It found itself compelled to negotiate a coalition agreement with two almost mutually-exclusive groups. The National Religious Party and *Agudat-Israel* insisted on concessions towards religion in public life (such as a redefinition of Jewish identity), while the Independent Liberals and the Movement for the Citizen's Rights took a diametrically opposed view. Further, while the latter groups were 'dovish', the former had a more 'hawkish' approach to the peace negotiations, particularly on the West Bank of the River Jordan—in which they were closer to the Front.

On 6 March 1974, after sixty-five days of inter-party negotiations in which the Alignment was closely threatened by an internal rift within the Labour Party (averted with great difficulty), Mrs Golda Meir, on behalf of the Alignment, succeeded in forming a new coalition Cabinet with the National Religious Party and the Independent Liberals. Mrs Meir was to be again Prime Minister and most of the portfolios went to the Alignment. The National Religious Party received those of the Interior, Religions, and Social Welfare, while two Independent Liberals became Minister of Tourism and Minister without Portfolio, respectively.

Despite obvious differences in size, in the electoral mechanisms, and in the priority given to the issues, there were several striking similarities in the two contests and their results. The 1973 elections introduced into the Assembly and the Knesset numerous new faces (about a third of both bodies). In each case, the largest party could not itself form a Cabinet and had to turn to religious groups, which comprised a ninth of the Assembly and an eighth of the Knesset, and agree on a minimum common programme. The final outcome was a Cabinet composed by the largest, left-of-centre party and the religious groups. However, while in Israel these were the same partners as previously, in Turkey this was totally new. Only time will show what coalitions such as these can achieve.

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Nato's twenty-five years

PHILIP WINDSOR

If Nato is shorn of its political dimension, can it survive as an effective military alliance?

NATO has always pretended to be rather more than a straightforward military alliance; and the troubled air which surrounded its twenty-fifth birthday was not due primarily to military foreboding. The warnings and sermons that were produced for the occasion dwelt—rather heavily—on the dangers of economic and political disagreement and the *potential* risks to the security of Western Europe if the European and Atlantic forms of partnership, which the Alliance was supposed to encompass, ever became alternative rather than complementary relationships. The fact that many of these themes were familiar, and have been so at least since the time of the Kennedy Administration in the United States, does not invalidate either their force or their freshness. Indeed, the history of the past two or three years, and in particular of the months since the Yom Kippur war, has done much to reinforce them; but quite apart from such recent crises, the familiarity of the exhortations indicates a more fundamental characteristic of the Atlantic Alliance.

This is that Nato can only be an effective military alliance *so long as* it is more than a military alliance. The reason is obvious. Its workings, the security arrangements, the beliefs in the prospects of European stability, on which the alliance depends, can only be maintained by a continuous act of American commitment to the defence of Western Europe. And in a situation of nuclear confrontation, commitment is another word for irrationality. Whatever the degree of her investments, the extent of her economic and commercial interests, the political importance which she attaches to Western Europe, the United States would be acting in a supremely irrational manner if she engaged in a nuclear war for the defence of that region. But, in spite of certain French attempts over the past ten years to suggest that if something is irrational it cannot be true, successive American governments have hitherto managed to convince both their European allies and their Soviet adversaries that they would indeed be irrational if the security of Western Europe were threatened. It has been possible for them to do so because Nato was always held to

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represent a set of values and beliefs which themselves did much, in the internal decisions of American governments and in internal debates of the United States, to define the *American* role in the world. Nato was the paradigm of the American alliance systems in the era of containment; Nato was the touchstone of continuing American commitments in the period of limited withdrawal; Nato gave (some) substance to the legend of the free world which provided a sense of emotional cohesion in the earlier period of the Cold War; Nato continued (in part) to enshrine appreciable political and moral values when the experience of Vietnam, Santo Domingo, and the rest had brought the concept of the free world into disrepute and ridicule. The fact that Nato numbers Portugal and Greece among its member states has been much less important in defining the attitudes of American governments than the fact that it provided the framework for the emergence of a new Europe working towards partnership with the United States over a wide range of political, economic, and social issues. So long as this was so, and so long as Nato was felt to provide the framework for co-operation throughout the Western world, it was not difficult to regard it as the determining framework for America's vital interests, nor, in consequence, to believe that the United States could engage in the supreme act of irrationality.

None of this is to suggest that Nato's *task* was to provide the United States with an emotional cohesion or an intellectual rationale in the formation of her policies: its task was to assure the common defence of the Western world by engaging the United States in Europe. But in doing so, it acquired the *function* of creating the sustaining criteria for American policy. This, in turn, made the continuance of the task both possible and credible. Hence the importance which the rhetoric of Nato always attached to defining the common goals of the 'free world', the active co-operation of the member states in such a wide range of non-military matters, and, beyond the rhetoric, the real attempts which have been made to resolve political disputes among members and to ensure consultation on questions outside the Nato area.

But even in the heyday of the Atlantic Alliance, in the period before 'disarray' (to use the standard euphemism) became an endemic condition, and before the EEC had begun to challenge Nato as the organizing framework for European political interests, there were certain difficulties to such a grandiose view. The first difficulty lay in the fact of America's overwhelming strategic power. The second lay in the fact that outside the immediate area of security considerations a number of the European members were by no means powerless or lacking in influence. The two worked upon each other to create a series of problems which have become more acute in recent years.

First, American strategic preponderance. This was no problem at all so long as the United States remained invulnerable to direct Soviet attack.

Indeed, in the first decade of the alliance, those European governments which believed in the reality of a Soviet threat to their security had some reason to feel rather smug. They had hog-tied the United States into their own defensive system at minimal risk to themselves, and with the certainty that American air and nuclear power could always be whistled up if the Russians made threatening noises. Not only that, but the American Government made a practice of consulting them, or at least the more important of them, through such organizations as the Standing Group, over the entire range of Nato strategy. It was only as the United States herself became vulnerable that the problem emerged. For the American response was, in effect, to demand an increasingly centralized power of decision over nuclear strategy while at the same time pressing the European governments to put up more money and more men for the active defence of Western Europe. There was, perhaps, nothing inherently wrong with such a combination, but when it took form in the policies of Robert McNamara, it was pursued with limited strategic logic and with all the diplomatic finesse of a battalion of paratroops. The effect was to convince at least those who were halfway willing to be convinced—a Strauss or a Messmer—that the United States was more reluctant to arry out her commitment but at the same time was demanding more ower, and with less consultation, over the life-or-death interests of her llies. Moreover, General Norstad, the most intelligent man who has ver held the post of SACEUR, and who had foreseen some of these diffiulties and attempted to forestall them, was summarily dismissed by resident Kennedy. The effect of the initial American response to the ew problem of American vulnerability appeared therefore for a time to e that of diminishing both consultation and confidence, and of exacerating the political tensions within the alliance.

In fact, it did not work out like that. Two major changes in the pattern f alliance politics occurred during the 1960s to increase both confidence n European stability, and the degree of consultation within the alliance. The first was that the problems of nuclear decision-making were resolved ot by increasing centralization within the United States but by devoluion. If the major problem of strategic planning was the decision to go to uclear war—where, how, in what circumstances, and affecting whose erritory—then the planning for this decision could only be carried hrough without great political tension if those parties most closely conerned were actively involved from the start. In this sense, the creation f the particular sub-committee known as the Nuclear Planning Group as one of the most important events in the development of Nato. Its ork is far from having been an unqualified success, and it is probably till true to say that the effects of an actual decision to release nuclear eapons are largely unknown, even in the strictest military terms; but one the less the active involvement of those states whose territory or

threats (which have been a persistent feature of the Nixon–Kissinger diplomacy and not by any means a new departure in President Nixon's recent statement in Chicago) because she believed that she was creating a new relationship with the Russians anyway—a fact which in turn did nothing to encourage the European governments to be more accommodating when they felt that the United States was challenging their own interests, or trying to muscle in on the counsels of the EEC.

All in all, then, this combination of factors ensured that there was a greater demand for the adjustment and reconciliation of interests than before; but it also meant that a failure in this extremely complex and delicate task would threaten the very character of Nato as something more than a military alliance, and as the paradigm of American interests, on which its entire working still depended. In other words, there was now the scope for a potential crisis far bigger than that which had shaken Nato at the time of the 'McNamara Doctrine'. The crisis duly came.

Essentially, it came because of the character of the Soviet–American détente. In terms of its basic strategic component—the mutual vulnerability of the two societies, coupled with the common invulnerability of their second-strike weapons—this détente was based upon solid material considerations. But in going beyond the avoidance of nuclear war to the avoidance of the risks of war at all, it had become rather more insubstantial. In fact, it had turned into something very like an American gamble—a bet that, given enough economic and technological inducements and seeing the obvious risks of the alternative, the Soviet Union would pursue a policy of restraint and moderation in everything from the SALT talks to the Middle East. This, in Dr Kissinger's favourite phrase, would permit the emergence of a new international order. In fact, in everything from the SALT talks to the Middle East, and including the question of force levels in Europe on the way, the Soviet Government has consistently failed to match American expectations. More than that, the upheavals that have occurred in recent months have made it more and more difficult for the European governments and the United States to match or reconcile their interests. Nato is now in danger of being reduced to a military alliance and nothing more. If, as such, it could be guaranteed a continuing effectiveness, no harm would be done—in fact it would be a welcome relief to be freed from all that claptrap rhetoric about the values of the free world. But the question is whether it could continue at all to be an effective alliance, that is, to involve the United States in a permanent act of irrationality, unless it were indeed something more.

The painful conflicts which have arisen among the members of Nato since last October may now be half-healed. But the underlying strains are as potent as ever, and their instances are many. Mr Schlesinger's decision on the re-targeting of American nuclear missiles was largely

reeted with exaggerated dismay in Europe. It did not mean anything ike a return to the first-strike situation of fifteen years ago. But it did aise once more the question of American nuclear preponderance and the uestion of nuclear consultation that was linked with it. Moreover, it cast erious doubts on the ability of the SALT negotiators to deal with what ras either an obdurate Soviet Government or a series of technical issues o complex that they could barely be resolved. Similarly, Dr Kissinger night feel free to say that it was easier to consult his adversaries than his llies, but it squared ill with the actions of the Secretary of Defense, and ven worse with the results of his own recent mission to Moscow or with soviet arguments at the talks on Mutual Force Reductions. In these cir-umstances, the old questions have risen again. Is the United States once nore going to take decisions of central importance in the conduct of uclear strategy without adequately consulting her allies? Is the other orm of consultation, or agreement, on the political and economic nterests of the Nato members not becoming increasingly difficult? If so, an Nato really function as a merely military alliance? Anyway, how real s the détente? And is a degree of military foreboding not acquiring a ertain justification after all?

West European defence identity: the French paradox

UWE NERLICH

UNDERLYING the current quest in Western Europe for greater identity in defence is the feeling of impotence in face of the development of US-Soviet relations, particularly during the fourth Middle East War.[1] Nothing, however, demonstrates this better than the political incapacity revealed by the fact that, twenty years after the 'adjournment' of the European Defence Community by the French National Assembly, the main driving force behind efforts for concerted European defence now appears in a shift in French politics, which—as the *Neue Zürcher Zeitung* put it—is taking place 'behind thick fog'.

[1] 'Identity' is one of the most abstract thought categories there is. This is seen in the interchangeability of the concept: ironically, the same term 'defence identity', used by Denis Healey at the inception of the Eurogroup, now serves to justify French ideas, which ultimately aim at weakening or even abolishing the Eurogroup.

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This incapacity is by no means a purely diplomatic failing: there are two fundamental political reasons for it, dating back for decades. First, in the situation prevailing in Europe after the war, it was essential to secure Western Europe's independence from the USSR, which had become the strongest power on the Continent and had extended its sphere of domination into the heart of Central Europe. Hence the need to create a permanent defence force for Western Europe. Second, as Western Europe became stronger both economically and politically during the 1950s, the formation of a European Community seemed appropriate; this would have to include the ultimate aim of achieving independence even from the protective power of the United States, so long as it did not endanger the military security of Western Europe.

A self-sufficient West European defence system *without* the US was always as much a practical impossibility as an Atlantic Union *with* the US. As regards security, it could only be a question of strengthening European defence within the Atlantic Alliance by closer co-operation between the West European countries directly involved, in other words of supplementing America's military role in Western Europe. As regards the Community on the other hand, the question was how far and under what conditions a sovereign defence organization would be considered desirable to complete a European Community.

There exist no ideal solutions to this continuing problem under any conceivable circumstances. Even if all the members of the Alliance act in the most conciliatory manner possible, certain basic conflicts in both Alliance and Community policies, and corresponding failings in every attempt to resolve them, are inevitable. Nevertheless, both the Alliance and the Community could have been consolidated a decade ago, if the opportunities for a pragmatic approach had been exploited. Instead, the Community appeared to have lost all impetus by the end of the 1960s, and the Alliance was mainly being kept alive by multilateral détente projects. This process of decline, which has since been arrested in some respects, has its roots in many causes arising from the policies of some of the member states, together with uncontrollable developments both inside and outside the Alliance.

Three models in French policy

When assessing the reasons for the collapse of the European Defence Community (EDC) in France in 1954, it is natural to view French policy on Europe in the following twenty years as a series of attempts to revise the 1954–5 system of West European security (i.e. the Paris Agreements), which seemed much less favourable to France than the EDC project she had rejected.[2] Three models, in various combinations, can be observed

[2] The EDC treaty failed in the National Assembly, even though it incorporated more French aspirations than later Gaullist diplomacy could ever hope to realize.

again and again: the reactivation of certain elements in the EDC plan, the creation of special relationships between the three Western nuclear powers within the framework of the Alliance, and a pre-emptive understanding with the Soviet Union.

All three variants, the EDC model, the Directorate model, and the Guarantee model, serve the same ends. The Guarantee model is the last possible resort if the two Western options (that of 1954–5 after the Paris Agreements, or that of 1965–6 after the unsuccessful debate about the political orientation of West Germany) are exhausted. It is at present unworkable both because of the direct relations which have developed between the Soviet Union and the Federal Republic and because of the increasing bilateralism of the two super-powers, and it could well remain unworkable for the foreseeable future.

Thus the emphasis must be on the other two French policy variants: the direct Soviet–German relationship and particularly Soviet–American bilateralism threaten to deprive France of all her traditional options in Western Europe, so that Paris can hope to regain some influence only by her own initiatives. Such initiatives can lie only in the direction of the EDC model at present, reactivating in the longer run also the Directorate idea. The scope for such initiatives is severely limited by factors in France's domestic politics, and by caution vis-à-vis her partners—hence, inevitably, the vague nature of the current French approach.

The basic weakness in France's West European policy is obvious: she is trying to establish a West European Community and a system of West European defence that can be achieved only by the simultaneous development of co-operation with her three main partners, the United States, Great Britain, and West Germany—at great cost to them. France can achieve a position of leadership only by her partners' self-denial and concessions; she herself has never wielded any power except that of an obstructive veto.

This somewhat unprecedented approach to the acquisition of power is, however, more than just the expression of nationalism.[8] While French policy is guided by the basic tenet that only as the leading power in a European Community can France regain more permanent influence on

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The fact that Britain would not have belonged to the EDC, and more important that West Germany would not have joined Nato, would have meant that France would have been America's main partner in the Alliance, and hence the leader of the EDC. Without the intervention of US and British diplomacy, the 'adjournment' of the EDC project might have endangered, if not destroyed, any move towards a Community in Western Europe as well as the existence of a security system. The result, paradoxical as far as Paris was concerned, was West Germany's immediate entry into Nato, which France had persistently sought to block. By comparison, West European Union (WEU), which was meant to bind West Germany in order to lessen French opposition, looked ridiculous.

[8] The rhetoric of 'grandeur', in particular, was a political device wielded occasionally with considerable dexterity.

world politics, Western Europe, on the other hand, can only develop beyond the status of a confederation if the political will which grew out of nationalism survives the establishment of the Community and becomes the driving force behind it. In this sense, the aims of Gaullist policy have always been 'European', however much they may have been coloured in practice by an untimely nationalism. In this sense, too, the basic weakness of French policy (that of being able to achieve power only through the acceptance of her leading role by the very partners whose dominance she fears) reflects a more general fundamental weakness of West European efforts to build a community.

This exposition does not, however, fully describe French policy of the last twenty years. Until well into the 1960s France's main preoccupation was with the revision of the alliance system set up in 1954–5, i.e. with the prevention of any strengthening of the system through Britain's early entry into the European Community, and more particularly with changing the roles of the US and the Federal Republic in the Alliance. The consequence and the weakness of this policy were clearly seen in France's withdrawal from Nato, which deprived her of all opportunity for revision within the Alliance, at least for the foreseeable future.

This resulted not least in the loss of all political drive inside the Community, the only remaining framework in which France could have hoped to maintain leverage. New initiatives could be contemplated only at the price of admitting Britain. But with Britain's accession, France lost her last major opportunity to use her veto in the Alliance; moreover, her remaining power of veto in the Community is not only weaker now, but its application also tends to work against her own interests.

Another important result was that the détente with the Soviet Union, which France pursued more or less for want of an alternative, not only failed to bring about the desired opportunities for negotiation, but also led to developments with highly undesirable consequences from the French point of view: the growth of direct negotiations between West Germany and the USSR, and particularly the increasing bilateralism of the two super-powers and even a temporary interaction between them.[4]

France's dilemma

An independent and effective West Germany, plus an American-Soviet rapprochement which allows Western Europe only a 'Cinderella role' (to quote the French Foreign Minister, M. Jobert), not only weaken still further French hopes of regaining world importance via the Community;[5] they also revive old French traumas. As far as France is concerned, West Germany's felt need for continued protection is of far

[4] See Uwe Nerlich, 'Westeuropa und die Entwicklung des amerikanisch-sowjetischen Bilateralismus', *Europa-Archiv*, 20/1972, p. 692 ff.

[5] French hopes of getting a 'German mandate' in view of the continuous blocking of Soviet–West German relations by Bonn were dashed some years ago.

greater significance than her military role as a glacis, because it preserves her readiness for integration. And this means not only that West Germany is bound into the Western defence system, but also that any French economic inferiority is checked by the fact that the Federal Republic, as the driving force for integration, is prepared to pay a high premium for the sake of Community goals. The idea of the Federal Republic's loosening its ties with the West, being less ready to 'redress the balance' and enjoying a correspondingly stronger economy, whilst striving for a solution to the German problem with Soviet help via the neutralization of central Europe, is one that dominated the late President Pompidou even more than it did his predecessor. As a leading commentator put it, 'every conversation with him about foreign policy, no matter how it begins, always ends up by invoking "the German problem"'.[6] It is widely feared in Paris that if West Germany's integration policy is blocked by France, as it has been since the 1960s, she will eventually come to the conclusion that Community building has lost its point, and that, in view of the superpowers' relationship, military security can no longer be guaranteed by the US, while at the same time it may no longer need to be guaranteed owing to improved relations with the Soviet Union.

For this reason France has found herself forced to abandon the détente policy she pursued in the mid-1960s, as could be seen in her changed attitude to the Conference on Security and Co-operation in Europe, but particularly in the recent cooling-off in relations with the Soviet Union. Bearing in mind her worst fears at the moment, the best way of binding the US to Europe, and West Germany to the Community, would be for France to participate more fully in the Alliance (but not necessarily by rejoining Nato).[7] The three classic trends in French policy work against this, however; her only alternative, therefore, is to try new security initiatives inside the Community, though these would only be attractive in the context of a future political union.

Hence France has again opted for a policy which in the past could only work if the partners at whose expense it was pursued also made the greatest concessions. She has tried to hasten the dissolution of West Germany's military ties with the US, e.g. in connection with the Soviet–American Agreement on the Prevention of Nuclear War, in order to increase Bonn's willingness to forge closer defence links with herself at the expense of its ties with the Alliance. Yet, at the same time, she has been at pains not only to maintain the American military presence, but also to

[6] Marc Ullmann, 'Security Aspects in French Foreign Policy', *Survival*, November/December 1973, p. 265. (Based on extended interviews with Pompidou, Debré and others.)

[7] In fact, the rhetoric of a return to Nato integration is particularly counterproductive from the point of view of better French co-operation with Nato. The issue of the Eurogroup, which is not even part of Nato, provides ample evidence for this. It would be useful for France and her partners to agree on a narrow definition of what is implied in a return to Nato integration.

strengthen the possibility of nuclear co-operation with America, primarily in the shape of US technical assistance.

Though French policy continues to reflect the ideas embodied in the EDC and Directorate models, a considerable change has taken place since the earlier stages. First, France is less concerned today with a change in the status of West Germany and the US in the Alliance than with the maintenance of the ties binding Germany to the Community, and the US to Western Europe. Secondly, now that she has surrendered the relatively powerful weapon of the veto (in terms of political leverage), and perhaps even her Soviet trump card, she needs to co-operate even more closely than in the 1960s with those partners whose withdrawal from previous obligations she fears, and who would bear the cost if the desired result were achieved.

This bankruptcy of France's policy is reflected in her current tactics, which could hardly hope to achieve anything through persuasion and offers of co-operation alone. While France herself continued to ignore the need for solidarity within the Community's main areas of interest, such as monetary or energy policy, intensified French approaches to West Germany were repeatedly accompanied by the suggestion that the latter's policies were neglecting the aims of the Community and even showing signs of neutralism. This despite the fact that, after the conclusion of its bilateral *Ostpolitik*, Bonn had once more made the Community its main priority. It was no different in the Alliance: France still showed no sign of being ready to co-operate on important questions, when the US was making a large-scale attempt to reactivate the Alliance. Yet for all that, France accused the US of flagging loyalty to the Alliance, first because the Treaty on the Prevention of Nuclear War meant a diminution of her commitment, and then again because the US commitment in the Middle East was too great. But while in the past such invective carried no dangers for France, because Bonn seemed to have no alternative and the US was, if anything, considered to be too firmly committed, today such tactics are fraught with considerable risks.

This dilemma in French policy derives directly from the constancy of her aims, which are primarily based on domestic considerations. In the present situation, any attempt to change the basic objectives of French policy in Western Europe would immediately meet with opposition from the conservative Gaullists. True, there is now a growing number of people in the ruling parties who would be prepared to make sustained changes in French objectives,[8] but such a development could not compensate for the weakening of the right wing in the forthcoming election. Moreover, the centre has lost much ground, and M. Mitterrand, who

[8] Notable in this context is for example the explanation given by Le Theule (UDR), former Chairman of the Defence Committee and now Chairman of the Finance Committee, in which the possibility of co-operation within the Eurogroup was mooted.

apparently has improved his chances of winning the presidential election, now favours a pro-Community policy and might even maintain French nuclear forces within the framework of the Alliance. This attitude is not unlike that of Mr Harold Wilson when he came to power in late 1964. In any attempt to consider a change in the policy objectives on Western Europe, the Gaullists would find themselves severely restricted by the domestic political situation; however, it is an open question whether they would, in fact, be prepared to do so.

The inevitable consequence, meanwhile, is stalemate on all main issues. However France may view current demands and long-term possibilities, the only possible course is to persuade her partners to recognize her own small steps as steps forward in the long run, which deserve their reciprocal co-operation, without French diplomacy irretrievably losing its freedom of action. But to the same extent that France's approaches bear the stamp of classic French objectives, her freedom is also limited by interests and conditioning factors in the Community and the Alliance.

The substance of the French initiative

What options are now open? The following are the areas in which, under current conditions, a community approach might be considered: (i) specific action on defence policy (for example, the redeployment or at least the improved co-ordination of French troops in West Germany, or negotiations on the installation of *Pluto* on West German soil; (ii) steps towards nuclear co-operation (e.g. 'Europeanization' via Franco-British co-operation); (iii) declarations (for instance, participation in the Atlantic declaration or the Nine's 'paper on the European identity'); (iv) the formulation of reservations or conditions as regards multi-lateral détente, (such as the European clause on MBFR, which was imposed by the British at French insistence); (v) suggestions on institutional matters, whether for specific purposes (as in the case of the Standing Committee on Armaments in the WEU) or as a substitute for real opportunities for joint action (as in the case of the proposed dialogue within the WEU Council of Ministers); (vi) expansion of armaments co-operation beyond bilateral arrangements.

In defence policy, the question of the task of French units in West Germany has apparently been as hard to solve as the question of guidelines for installing *Pluto*, though discussions of the principles involved have been taking place between the French Chiefs of Staff and SACEUR (since early 1972) and between the Commander-in-Chief of the French First Army and CINCENT (since early 1973), and there have also been bilateral contacts between the governments concerned.[*]

In the area of strategic nuclear deterrence, the concept of Franco-

[*] This question is independent of whether *Pluto* is on French or German soil in peace-time, since West Germany is in any case the potential target area.

British co-operation has been shelved by both sides as untimely; this is particularly significant in view of the fact that the two countries have recently been on better terms than at any time since the end of the war. As regards Britain, any suggestion of co-operation is premature at the moment, while France is concerned with a cautious approach to the US for technological support, which makes a trilateral relationship between the Western nuclear powers far more probable than any suggestion of a West European nuclear force.

From the point of view of Community building, the fact that the nuclear arms question has not been re-opened should be taken as a good sign. This restraint does not rule out the possibility that France will endeavour to make what one might call the 'plateau d'Albion' a favourite destination for political excursions, as she did in 1973 for a group of high-ranking WEU representatives and, recently, for the West German Defence Minister, Georg Leber.

In the diplomatic field of declarations, the French have been particularly active. It will be largely as a result of their efforts if some complementarity between the 'identity paper' of the Nine and the Atlantic Declaration emerges. In French draft versions of the two papers, the need for intensified Community activity among the Nine was stressed as much as the indispensability of American military commitment in Western Europe.[10] The French Government would seem to appreciate the considerable co-ordinative effect of such declarations as much as Dr Kissinger, particularly where they are being prepared for summit level. At the same time, French efforts were probably meant to pre-empt the dynamic of Dr Kissinger's initiatives, and also to gain American material support through verbal conciliation of the US. Beyond this, such declarations have no substance—at least as regards changes in French objectives.

European reservations about future West European defence co-operation have become a major factor in East–West negotiations. For the countries voicing them, namely France and West Germany, they are a kind of negative projection of a defence community in the long term, which in itself does not advance that end, but can influence effectively diplomatic processes on the way. The 'European clause' put forward by Bonn in one form or another in connection with the Non-Proliferation Treaty may well have been largely an instrument of domestic political argument and it is no coincidence that France does not welcome it. The increasingly significant 'European clause' on MBFR, which basically reflects French attitudes though in fact it was mainly raised by the British in Nato, has on the other hand upgraded future West European defence options as against what may emerge from the current MBFR talks.

[10] Cf. para. 8 of the paper on European identity in *Europa-Archiv*, 2/1974, p. D52, and para. 8 of the French draft of the Atlantic Declaration, *ibid.* 5/1974, p. 148.

French moves in the area of Community policy are followed with great nterest, particularly where Paris makes suggestions for institutionalization which in the long run might lead to greater coherence in West European defence policies or co-operation on armaments. While the first kind of suggestion only stands a chance if kept rather general, certain direct and concrete interests can be detected behind the second variety. The two are connected, however, in so far as Community action on armaments is regarded by many as the most important, if not the only possible, first step towards a comprehensive institutionalization of common defence policy activity among the members of the European Community.

WEU—forum for co-operation?

In November 1973, M. Jobert put forward the suggestion that the WEU be used as a forum for discussion between the seven European Community members who seemed in favour of such co-operation at the time (i.e. excluding Denmark and the Irish Republic). The proposal was made in stages: in the spring of 1973, WEU representatives were invited to Britain; on 2 July 1973 M. Jobert suggested (in London) that there should be a European Defence Force, in which the General Staffs of the European Community countries would collaborate; on 6 July 1973, a conference of the Deputy National Armaments Directors of the seven WEU countries took place in Paris at French prompting. Throughout, the French emphasis was on a common security policy approach within the framework of European political co-operation (EPC), in which there was even discussion of certain aspects of MBFR at directors' level. The climax of this stage was the suggestion to use WEU as a forum for discussing the Community's security interests, combined with a second suggestion to co-ordinate armaments policies within the WEU Standing Committee on Armaments in Paris, which should be reactivated.[11]

Tangible reasons underlie the French proposal to reactivate the Armaments Committee. There has long been apprehension in Paris that continued co-operation within the Eurogroup might isolate France. Prominent politicans have even suggested that for that reason France should participate in it. Government concern is heightened by the fact that in the long run it would be very difficult to resist internal political pressure of this kind. Nor will it be missed in Paris that the current reorientation of American defence policy, focusing on newly developed technical possibilities in conventional weaponry, would make heavy

[11] Jobert expressly rejected the suggestion for a WEU nuclear planning group, which had been approved by French parliamentarians in the WEU, as being premature. This suggestion could on the one hand have fulfilled the WEU Treaty fifteen years late (France's duty to disclose facts about her nuclear armament); but on the other, the work would have been severely circumscribed, not least by the Organization Clause of the WEU Treaty, which expressly transfers all practical tasks to Nato.

demands on West European investment facilities, and that the Eurogrou will probably be the forum through which the appropriate decisior would be channelled.

However, since participation in this particular body is not envisage by the current French Government, the WEU proposal was a logica even though futile, step. In the Eurogroup, France might have to play secondary role as a newcomer. By contrast, the WEU Committee woul have certain advantages for France: it is based in Paris, (which may b significant when discussions take place about the future location of th European Community Secretariat); West Germany is subject to WE restrictions on armaments questions, which could easily reduce her to th role of a supplicant; above all, there *does* exist co-operation on arma ments policy in the WEU, however unproductive it may be, and thi could lead to the development of opposing factions in view of a suppose choice between the Eurogroup and the Armaments Committee. Such polarization seemed to develop somewhat surprisingly in West Germany After the firm guidelines laid down in May 1972, which expressly gav the Eurogroup precedence over other bodies, and which were repeate in the Government Declaration of 18 November 1973, a change seeme to be taking place at the end of 1973, after a Government closed sessio at Schloss Gymnich on 15 November, and the Federal Chancellor' visit to Paris on 28 November.

In view of defence problems in the remaining decade and beyond, a *improvement in co-operation within the Eurogroup seems to be impera-tive in order to hammer out a common posture for discussions with th* US on changes in West-European defence. This is so independently o what kind of institutional organization for co-operation with France ma seem appropriate. But one problem arises simply from the fact tha France wants to set up an alternative (as M. Galley explained in an interview with *Die Welt* on 21 January 1974), although she is the petitioner i this matter. Experience has shown that there is no 'spill-over' from th area of arms industry into political co-operation, unless the right conditions exist from the beginning. Thus there is no reason to oblige Franc in this matter in the expectation of political progress. This does not mea that such French approaches need be rebuffed on principle; exploraton talks can take place, but always with the pre-eminence of the Eurogrou and of defence co-operation with the US in mind.

The suggestion of using the WEU as a forum for discussion should b viewed rather differently. Co-operation within the European Communit on the model of EPC is obviously unworkable, because Denmark show little inclination to join in, and the Irish Republic has definite objections which partly correspond to her partners' interests (not to Europeaniz the Irish question). For a high-level discussion between the Nine, th WEU would be the only possible forum at the moment, if a formal frame-

ork is considered necessary. EPC also shows, however, that just estab-ishing a procedure, to be followed later by agreements on an ad hoc basis n topics for discussion, can have its uses.

Such a discussion within WEU would probably create more friction han it could possibly cure unless it were seen from the start as more than ust an end in itself. Galley has frequently drawn attention to the need for greement on common principles and threshholds for common defence neasures as a basis for European defence co-operation. It is precisely this im that France's partners have tried in vain to achieve. Should these iscussions lead to progress, this would benefit all members of the Alli-nce, provided two conditions were clearly recognized. First, the results f such discussions would have to be subject to adequate consensus with he US, since this alone would meet European security interests. Second, he WEU should be viewed as no more than a kind of extra-territorial neeting place, to be replaced by a different forum according to the suc-ess of the consultations. For this reason it might be more useful to agree rom the start on an ad hoc process (instead of a WEU forum), which vould then offer the same opportunities for consultation but would void the precarious historical implications of the WEU. In this respect, PC provides a useful example of both efficiency of non-institutional nter-governmental channels of consultation and of the expediency of eparating Community and inter-governmental forms of co-operation n foreign and defence policy.

riorities in Community building

The dialogue could thus only be a political exploration at a high level nd, in this sense, Bonn should certainly press for it. But there are signs hat, beyond such pragmatism, the Federal Government might be sus-eptible to French suggestions that in view of the decline of the Commun-y in major areas (which, above all, can be traced to French policies), Vest European defence co-operation may be the very thing to prompt the rocess of Community building. This may reflect a fundamental con-eptual flaw in Bonn's Community policy.

A European Community without associated military power may, owever, be unthinkable in the present reality of international politics, ecause it would require considerable constraints as regards the two uper-powers.[12] But in the development of a European Union defence ould have to be one of the last areas of integration. Moreover, any orm of integration would demonstrate the structural deficiency that ntails the indispensable protection of the US. The Gaullists and the

[12] This might well be the most practical political constellation (as it is for Japan) one considers the international conditions prevailing in the Community, and e outside opportunities for influence. Cf. François Duchêne's thoughts on est European 'civilian power' in 'The strategic consequences of the enlarged ommunity', *Survival*, January/February 1973, pp. 2–7.

Conservatives in Britain saw this as clearly as the US Secretary of Defense, Schlesinger.[19] The frictions of the past, when France in particular repeatedly tried in the 1960s to force through her concept of integration via the detour of defence, are sufficiently instructive. They show that any attempt to emphasize aspects of defence policy will favour the shape of Community development that France has always wanted, and which has run counter to the interests of West Germany, not only in maintaining her security, but also in expanding the Community. What the most important partner states have always recognized is particularly valid for West Germany: namely, that the other areas of the Community must take shape first.

This conceptual problem is thrown into sharper relief by the way matters have actually developed. The accepted basis for an economic and monetary union as the core of a Community has been destroyed, above all by French action. Community policy could develop a new momentum in these areas, however, even though further disintegration looks more likely just at the moment. At the same time, the changes taking place in American defence policy, like the 'New Look' in 1954 or the McNamara Doctrine in 1961, will be of far-reaching significance for the Alliance, and will require the undivided attention of West European Governments. One may therefore share the view taken by Heath and Pompidou that a West European defence community would correspond to a long-term interest. In the current situation, however, long-term interests are little more than the subject of declarations and reservations. But even the long-term interests will be affected by the course of events in the next two or three years, when it is clear whether the Community can again become effective in areas of vital importance, and whether the Alliance shows itself capable of adapting to new conditions. In this light, the discussion proposed by Paris can only be seen as a side issue dictated by pragmatism. It would be purely coincidental if it proved useful in the current stage of détente: the compelling arguments are rooted in the basic nature of Western Europe.

[19] Cf. the Heath interview in *Le Figaro* of 10 January 1974, in which the question was deemed 'not yet ripe', because common defence presupposes common foreign policy. Similarly, Schlesinger stated before the last session of Nato's defence planning committee on 6 December 1973 that the US would welcome and encourage more West European communality of defence, but that this would be a task for the 1980s and beyond.

The Malaysian miracle—and dilemma

RAN CHOPRA

'Political independence has been won and political democracy established; but economic independence and economic democracy have yet to follow.'

APART from Singapore, no Asian country comes as close as Malaysia to rossing the threshold from the developing to the developed countries' lub, of which at present there is only one Asian member, Japan. Malaysia as the third highest per capita income and living standard in Asia, and a urrency which is stronger at present than any Asian rival. Since it was laced on a free float a year ago, the Malaysian dollar, the ringgit, has held s own and frequently advanced in face of the mark, the yen, and the US ollar.

The same strength is seen in GNP growth and in the balance of trade. n the first quarter of last year the index of industrial production rose by ore than twenty-three points, with manufacturing, a relatively new hallenger, spectacularly leading. The year followed the trend. GNP se by over 20 per cent at current prices and over 8 per cent in real rms.

The traditional leader, agriculture, expanded by 37 per cent at current rices and manufacturing by a still more impressive 16 per cent in real rms. Exports rose by 46 per cent and at the end of the year Malaysia d a more comfortable trade reserve (US$1,200 m.) than any other sian country except Japan—enough to finance imports for more than ven months. The current estimate is that during the period of the econd Malaysia Plan, 1971–5, national income at current prices will row at about 9 per cent per annum, exceeding the plan target of 6·5 per nt. Few countries as unindustrialized as Malaysia have such a high per pita income—M$1,022 at the last count, in 1970.[1]

Equally encouraging is what helped to produce these figures: the skill d pragmatism of the administrative and political leadership. Unuttered by doctrinaire rigidity, watchful of opportunity and prompt in ploiting it, Malaysia has husbanded her resources well.

Malaysia's political temperature is the lowest in Asia, thanks to a finely

[1] M$2·40 equals US$1.

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balanced combination of firmness and flexibility. The formal apparatus of government is fully democratic, which is more than can be said of many Asian countries and of any South-East Asian country except Singapore (if that can be called an exception). But tight political management, most of it within the rules of the game, prevents dissent from breaking out of bounds, and the Prime Minister's political style, which is sensitive and responsive, keeps the government well tuned in to discontents and pressures. Hence it happens that political stability has been rocked only once in the past ten years or more, namely during the short-lived, but also serious, race riots in May 1969, when Malays, the numerically predominant ethnic group among Malaysians, severely clashed in the streets with Chinese Malaysians, the next largest group.

This is the Malaysian miracle. But there is a corresponding Malaysian dilemma, and the irony of it is that some of the very ingredients which make the miracle also contribute to the dilemma, and the very measures the government has adopted for resolving the dilemma are accentuating it. The process has significance for all developing countries, not only for Malaysia. It shows how difficult it is to redistribute wealth once it has been allowed to grow in a certain way. The heart and core of the dilemma is the fact that the economy of Malaysia is not owned by Malaysians, and that the Malays, who rule the country, own it least of all. Political independence has been won and political democracy established; but economic independence and economic democracy have yet to follow.

While Malays have most of the political power, most economic power belongs to others, mainly non-Malaysians. The Government is basically Malay, though there are a few Chinese and Indians in the Cabinet. But less than 2 per cent of the corporate sector of the economy is owned by Malays, and that in a country in which 77 per cent of the fixed assets in industry and 70 per cent of the planted acreage in all forms of agriculture are in the corporate sector. Until lately this fact was known only through intelligent guesswork. Now it is supported by official data, which have been disclosed for the first time in the past few months.

As against the 2 per cent Malay share, the 'foreign share', owned by people who are not Malaysians at all, is 61 per cent. The Chinese share is about 22 per cent, or about 60 per cent of the total Malaysian share of the corporate cake. Even the Indians are doing proportionately better than the Malays although a very high proportion among them still are, or have descended from, indentured labour brought from India to work on the rubber plantations. They constitute about 10 per cent of the population, but they own 1 per cent of the corporate share capital.

In a number of Asian countries, for example in India, agriculture is predominantly the small man's domain. It helps to correct the balance in favour of the small man and the locally owned economy. But Malaysian agriculture is largely of the plantation variety and foreign-owned. The

latest available figures show the Malay share of ownership in rubber as one-third of 1 per cent, the Indian share as 1·3 per cent, the Chinese as 13·2 per cent, and the foreign as 77·7 per cent. In all other forms of agriculture taken together, the Malay share is 3·6 per cent, the Chinese 9·2 per cent, the Indian one-fifth of 1 per cent, the foreign 66·8 per cent (the remainder is difficult to classify by race because of lack of more detailed information).

As a consequence of all this, Malaysia alone among Asian countries, perhaps alone among all countries, presents four dangerous features simultaneously. First, there is one nearly monolithic structure of political power which is almost wholly Malay, and another quite separate structure of economic power which is almost wholly non-Malay. Second, the economic power structure is predominantly foreign-owned. Third, not only are the poor in the majority, as they are in most countries, but they are also an ethnically distinct majority which happens to be the political power too; the average household income per month is M$310 for the Indians, M$387 for the Chinese, and only M$179 for the Malays. Fourth, the economic structure is not only vertically divided between foreign, Chinese, Malay, and Indian elements but is also horizontally divided between the usual rich and poor classes. The top 10 per cent of all households account for 40 per cent of all income; the lowest 40 per cent account for only 12 per cent of all income. Nearly 60 per cent of all households (not individuals) have an income of less than M$200 per month.

The Malaysian economy as it exists at present cannot correct these imbalances by its own dynamism because productive capability is very unevenly distributed among the different ethnic and economic strata.[2] Economic activities dominated by non-Malays, such as manufacturing, mining, and construction, have an average income per worker of M$3,500 per year; those dominated by Malays, such as agriculture, livestock, and fishing, have an average income of M$1,659. Hence, income per worker in Malay-dominated industries has expanded by only 8 per cent in past years but in those dominated by non-Malays by 16 per cent.

It is a tribute to Malay tolerance that this situation has continued for so long with so little disturbance of the surface calm. But now a counter-strategy known as the New Economic Policy is at work, with the full backing of the Malay power structure, including the Government. It is to be hoped that its *objectives* have the support of non-Malays as well, but there is room for serious reservations about its *effects*. The strategy has two main elements to which a third has begun to be added in the past few months. Each element is clear, and each is in its own way admirable.

[2] An excellent study of this aspect by Lim Lin Lean was published by the University of Malaya in 1971, and its main conclusions were confirmed and up-dated in *Mid-term Review of the Second Malaysia Plan, 1971–75*, published by the Malaysian Government in November 1973.

But—and here lies the rub—they are not mutually compatible and the incompatibilities have begun to seep to the surface. They are going to call for very considerable re-thinking in the near future.

The first element is that the Malay share of the economy should be stepped up to at least 30 per cent of the total within the next twenty years. For this purpose, it is intended that two-thirds of the plantation acreage and almost the same proportion of production, especially of rubber and oil palm, should be under individually owned and co-operatively managed small holdings. These would be, as almost all the existing ones are, Malay-owned. Simultaneously, in order to increase the Malay share in trade, commerce, finance, and industry, a chain of very powerful 'Malay interests' public sector organizations have been set up, with full government backing and mostly governmental or other public-sector finance. Their main purpose is to promote the Malay private sector by helping it with finance and other aids, or to step in themselves if Malay private enterprise does not show the requisite initiative.

All these organizations are in varying degrees efficient and successful, but apart from the small landholders' programme, they are generating some side-effects which are less commendable. One is the fact that a spoon-fed and rapidly enriched Malay capitalist class is fast coming into being, and for the first time the Malay is being exposed to the unsettling experience of seeing growing economic disparity within his own community. Since discontents grow as much in reaction against disparities as against actual poverty (of which the Malay has not seen much, as poverty goes in Asia), there is some cause for concern here—certainly more than is in evidence among Malay leaders. The second undesirable side-effect is also psychological. Seeing the heavy emphasis on promoting the Malay share in the economy, Chinese entrepreneurs, hitherto the most dynamic native element in the private sector, are losing their drive and incentive. Their reaction is unfortunate; it shows insufficient understanding of the danger Malay deprivation spells for Malaysia's future, including the future of Chinese enterprise itself. But it is perhaps more understandable in human than in economic terms.

Recognizing this second danger and anxious to forestall it, the Government has built the second element into its overall strategy. This is to expand the economy at such a rapid pace, and to give the Malay such a large share of the *new* wealth, that the target of a 30 per cent Malay share in the overall economy may be reached without actually depriving any other community of what it already has. The approach is humane and just. But it is doubtful whether its arithmetic can be sustained by the given methods and the given economic circumstances, which have their own logic and dynamism.

The given economy presents two major hurdles. The first is that, if past experience is any guide, the Malay share of the economy will rise painfully slowly compared with the non-Malay unless Malaysia changes

her whole economic philosophy. In 1969–70, the first year of the new economic policy, Malays and Malay interests stepped up their combined investment in corporate share capital by 46 per cent, from M$70 m. to M$103 m. Yet their combined share of the total corporate share capital increased by only 0·4 per cent—from 1·5 to 1·9 per cent—because others were also expanding their investment in the meantime, aided by their higher productivity, described earlier. It is clear that if the Malay share of corporate capital is to rise by the enormous increments required to reach the target, either Malay investment will have to rise each year by what are obviously unattainable proportions, or the Government will have to hold down non-Malay investment so forcibly that the economy will not expand very much nor will the Government's present free market philosophy survive.

To these hurdles, the new policy itself adds another major one—its heavy reliance on foreign investment. At first this was only a legacy inherited from the colonial past; as such it could have been cured by the passage of time. But now it has become an intentional part of the New Economic Policy. Either way it is creating its own complications. The two most obvious have been mentioned already: the increasing shyness of Chinese capital, and the intrinsic undesirability of such a large part of the nation's economy being owned by non-nationals. But there is a third: a drain on the country's net resources as profits on foreign investments are repatriated in increasing volume. This sometimes converts Malaysia's favourable balance in terms of trade in goods into an unfavourable balance of payments. If the balance of payments is also sometimes favourable, it is largely on account of heavy new foreign investment or reinvestment of repatriable surpluses; but this only magnifies the ultimate problem, by postponing the day of reckoning.

Lately Malaysia has become somewhat more concerned about this danger, or rather the danger has begun to be admitted and debated more publicly. The ice was broken with the publication of the *Mid-term Review* last November. Since then top Chinese as well as Malay leaders have given warnings against the heavy foreign dominance of the economy. On 20 February this year, at a televised press conference, the Prime Minister himself underlined the fact that 'foreign ownership and control of the Malaysian economy is already very dominant'. He also announced measures to 'discourage' such forms of foreign investment 'which give no visible benefits to the national economy', and listed among the benefits they must give 'a more balanced Malaysian participation in ownership and control', particularly Malay participation, and better income, employment, and growth distribution. To this end the Government is increasingly insisting on Malays being appointed to senior positions in the private sector, especially in foreign firms, and other forms of increasing Malay participation.

But the recent background suggests that the results of this policy may

be restricted by the risk of bad feeling and by hard economic realities, and if the aims of the New Economic Policy are to be realized without inviting undesirable effects, new strategies may have to be evolved before it is too late. In October last year the Deputy Prime Minister and Minister of Trade and Industry, Datuk Hussein Onn, asked major firms to appoint some 'Malay interest' agencies as 'primary agents of your company' in order to 'enable them to obtain distribution rights for various goods including imported ones'. In December the Ministry further exhorted chambers of commerce to give opportunities to Malay interests 'to have a share in the captive market' consisting of the services and goods required by trading firms. The Ministry also warned business interests that they were not yet doing enough to encourage Malay traders and employees.

On 10 January this year, the International Chamber of Commerce countered with complaints against 'pressures' and 'undue harassment' which could 'destroy confidence and credibility and frighten away potential investors'; against Malay capital's unwilling response to investment opportunities; and against the requirement that more Malays be appointed and promoted, and the insistence on Malay rather than Malaysian 'participation'. The Chamber also complained of declining morale among non-Malay staff members.

The Government's response can only be described as dramatic. Datuk Hussein Onn remarked the next day that his request of the previous October had been treated with 'contempt', and he added the warning 'contempt breeds contempt'. If the policies of the Government were not implemented due to lack of co-operation, it would have to resort to other means. It would no longer tolerate 'the old days when Chambers of Commerce and similar organizations could strangle the economy'.

Within the week the International Chamber circulated a warning to all its members that 'matters have now come to a head . . . it was made very clear by the Minister that the time for talking had ended and that action was now required . . . government would not accept excuses for any lack of positive progress'. The President of the Chamber added his own more significant warning that, although the climate for foreign business was more reasonable in Malaysia than in other countries, 'it might well undergo radical changes' unless foreign business 'positively and willingly carried out the policy of Malay participation'.

But the objective of the NEP is not merely to create senior jobs or lucrative trade agencies for a few hundred or even a few thousand Malays. That would only expand the new-rich and easily-made class of the affluent Malay, provoking disruptive resentments deeper down in Malay society—assuming that it did not also dry up the drive and incentive of foreign capital. The objective is to 'restructure society', as the NEP puts it, so that enough economic wealth is redistributed, first, to give the Malays a due share of their economy and, second, to make this share suffi-

ciently extensive and broadbased to create a strong foundation of Malay well-being, upon which much else can be built later. The NEP as it stands cannot do this; besides being elitist in its present effects though not its intentions, it is subject to all the constraints described earlier.

How should it be liberated from them?

The soundest part of it is the small landholders' project. It is being carried out imaginatively and vigorously by FELDA, the Federal Land Development Authority, and other similar agencies. It delivers benefits where they are most needed and can be most durably beneficial, at the very base of Malay society, which is predominantly rural. But if the project is to be given the scope and speed it deserves, it will be necessary one day to Malay-ize the immense acreages which are at present under overwhelmingly foreign ownership, and to parcel them out among Malay small-holders while their operations and management are sufficiently pooled through voluntary and not so voluntary co-operatives to obtain the economies of scale. Foreign capital is not contributing any skills here which are not locally available.

Over the rest of the economy Malaysia faces a more difficult choice. Within the frame of the existing free market economy, it is clearly not possible for the Malay share of the corporate share capital to rise to 30 per cent; the figures involved are astronomical, as explained earlier. Therefore the Malays must either accept a drastic lowering of the target or change their strategy. Only two changes seem possible, each requiring a major revision of values.

One is to go semi-socialist at least. The Government, which in the given political context largely means the Malays, must itself become a corporate entrepreneur. Most future expansion of the economy, if not also a substantial part of the present, must be in the public sector, and Malaysia must accept all that this means regarding the nature of the future economy and its instruments.

Or, the economic problems must begin to be seen in economic, not ethnic, terms. If the slogans and substance of the NEP were that at least half the economy must belong to half the people of Malaysia, and not that at least 30 per cent of it must belong to the 52 per cent who are Malays, the Malay quota would be met because most of the poor are Malays and most Malays are poor. But the strategy would then have to be that the poor must inherit the nation, whoever the poor may be—and it would have to be recognized, not only statistically but also emotionally, that 90 per cent of the Chinese are also poor, and the poor of the city at that, where poverty hurts more than in the village. Anyone who knows the present climate of opinion in Malaysia, however, also knows what an effort of the soul would be required for that.

Turning the clock back in Yugoslavia

K. F. CVIIC

The realities of East–West détente and the intractable problems thrown up by the Yugoslav reforms have strengthened the hand of the hard-liners and made the return of liberalism more difficult.

WHEN President Tito ordered a crackdown on 'counter-revolutiona nationalism', 'liberalism', and other 'anti-socialist' tendencies in Croati Yugoslavia's second largest federal republic, at the end of Novemb 1971, he claimed that he was acting to avert the danger of a civil w followed by foreign intervention.[1] Though he did not actually say so, l implied that the chief antagonists in a civil war of that kind would ha been Yugoslavia's two largest nationalities, the Serbs and the Croats, ar that the Soviet Union, together with its Warsaw Pact allies, would ha been the foreign power intervening to 'restore order'.

A number of Western observers, appalled by the prospect of anoth internecine struggle in Yugoslavia possibly leading to a major inte national crisis in an exceptionally sensitive corner of Europe, heaved sigh of relief at Tito's forceful action against the Croats. A close Britis observer of the Yugoslav scene hoped that President Tito's 'fir measures' would 'shock the Yugoslavs into realizing the need to wo more closely together'. He wondered, however, whether in the end tl whole episode would prove 'a pause on the road to further confusion ar disunity' rather than a 'turning-point which will lead to a strengthenir of the unique Yugoslav brand of socialism'.[2] A year later, after tl spread of the purges to Serbia and the other republics, the same writ made the perceptive comment that the leaders' clear intention to retai the monopoly of power would be hard to reconcile with their equal clearly declared intention to retain and even strengthen Yugoslavia 'market socialism' and the self-management system.[3]

In the spring of 1974, two and a half years after the start of the purg in Croatia, it looks as if the attempt to restore the Yugoslav Communi

[1] *Borba*, 20 December 1971.
[2] F. Singleton, 'The roots of discord in Yugoslavia', *The World Today*, Ap 1972.
[3] 'Yugoslavia: Democratic centralism and market socialism', *The World Toda* April 1973.

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party's monopoly of power, which it appeared to be in danger of losing at the height of the period of liberalization in 1970–71, has been successful. The party seems to have regained a strong grip on all spheres of public life and is once again beginning to look like the Leninist organization that it was when it took power in 1945. In that sense, it is perfectly in order to call it a 'party' rather than by its official name since the Sixth Congress in 1952: the League of Communists of Yugoslavia. But worryingly for the Yugoslav leaders, and particularly for President Tito himself who has thrown all his enormous prestige and authority into this latest battle, bitter political infighting (often with strong nationalist undertones) has not stopped. Indeed, it has increased in intensity in recent months—presumably because of the approach of the Tenth Yugoslav party congress at the end of May. It is no exaggeration to say that on the eve of this event the political scene in Yugoslavia presents a picture of confusion and uncertainty.

The prevailing feeling of uncertainty and insecurity was intensified in March by the sudden revival of the old quarrel with Italy over the former Zone B, in which the Yugoslav Government seemed to be behaving with unprecedented and, to some minds, exaggerated anger and bitterness. A few weeks before, in February, Warsaw Pact manœuvres were held in Hungary and Czechoslovakia, just as the Austrian press and television were publishing sensational disclosures of a 1968 contingency plan for the occupation of Yugoslavia by the Warsaw Pact countries in case of 'internal disorders'. This plan was revealed by a former senior Warsaw Pact commander, Major-General Jan Sejna, who defected to the West from Czechoslovakia in February 1968. Western observers uneasily contrasted the muted, low-key treatment of these disclosures and the Warsaw Pact manœuvres with the almost hysterical reaction of the Yugoslav Government to the small-scale Nato manœuvres (code name Dark Image '74) held in the northern Adriatic at the end of March and the beginning of April. Some saw in this reaction, as in that over Zone B, a veiled hint to the Russians to relax their reportedly growing pressure on Yugoslavia to toe the block line—though this interpretation was indignantly rejected by the Yugoslav press.[4] Nevertheless, Yugoslavia seemed for some reason to be ready to risk a further deterioration of her relations with the United States, which were already strained as a result of what Washington saw as Yugoslavia's outspokenly anti-American stance during the Yom Kippur war of last October.[5] All these developments, as well as rumours about the state of health of the 81-year-old President Tito that fed on his

[4] *Ekonomska Politika*, 1 April 1974.

[5] The Yugoslav Vice-president, Mitja Ribicic, admitted in a UPI interview (*Borba*, 20 January 1974) that Dr Kissinger had refused to receive the Yugoslav Foreign Minister, Milos Minic, during the United Nations General Assembly meeting because of US irritation at the Yugoslav attitude during the Yom Kippur war.

brief indisposition after strenuous journeys to Asia and the Middle East in January and February, merely emphasized Yugoslavia's increasingly isolated and precarious position between East and West.

Croat fears of Stalinism

Against this troubled international background, the news of an apparent further deterioration in the political situation in Croatia naturally assumed added significance. Public opinion in Yugoslavia was startled when Milka Planinc, who became the Croatian Communist party Chairman after the enforced resignation of Savka Dabcevic-Kucar in December 1971, revealed at the Croatian party congress in April that a 'centralist' and 'unitarist' faction was trying to push the party into abandoning its commitment to federalism (first made in 1937, repeated in 1941 and 1943, and now forming the basis of Yugoslavia's political structure). If these elements were to win, Mrs Planinc warned the delegates, there could be a civil war.[6] Similar warnings were voiced by Josip Vrhovec, the party Secretary, and other senior figures. But who were these 'centralists' and 'unitarists' and how strong were they?

The first publicly to express fears of a Stalinist coup in Croatia 'aided and abetted by Stalinist and centralist elements elsewhere in Yugoslavia' was Vladimir Bakaric, Croatia's first post-war Prime Minister and one of Tito's closest advisers.[7] At a special party conference in Zagreb in February, Bakaric hinted that the new 'faction' drew much of its support from the 630,000-strong Serbian minority in Croatia and that it was making headway because of the dangerously defensive attitude of the Croat Communists who were reluctant to act against it—presumably for fear of being accused of Croat nationalism and chauvinism. Statements and deliberate leaks by other Croatian leaders (including some who are members of the Serbian minority in Croatia) have revealed that this faction is particularly strong in nationally-mixed areas, such as Slavonia in the north and Dalmatia in the south. The Croat allies of these Serbian nationalists and hard-liners appear to be men like Ilija Antunovic, a deputy and a wartime partisan hero from Dalmatia, Zdenko Has, a deputy from Slavonia, and Milos Zanko, former Vice-president of the federal assembly in Belgrade who was dismissed in 1970 for his attacks on the then Croat leaders for their allegedly 'lenient' attitude towards Croatian nationalism. At the time, these leaders claimed privately that Zanko was merely being used by the diehards in Belgrade who wanted to topple them.

Ironically, the main centres of this new conservative faction appear to be the same that gave most trouble to the leaders deposed in 1971. According to what the present leadership in Croatia has so far revealed, the main aim of this faction is the dismissal of all the Croat leaders who

[6] *Borba*, 8 April 1974. [7] *ibid.*, 6 February 1974.

were in office during the 'Croatian spring' of 1970-71. This naturally worries those who occupied top positions in 1971 and are still in power. For some Serbs in Croatia, the purges in 1971-72 did not go far enough, and they want to make a clean sweep of all 'troublesome Croats'. Since many Serbs in Croatia took an active part in the last war on the partisan side and continue to be a powerful element in the ex-partisan and ex-reserve officers' associations, they obviously have a great potential influence. Many of them, as, for instance, General Nikola Ljubicic, Yugoslavia's Minister of Defence, hold senior positions in the army and the police, which are rapidly regaining their former importance in Yugoslav politics. For many Serbs who suffered persecution during the wartime occupation regime in Croatia, the motive is simply revenge or, at the very least, 'to keep the Croats in check'.

An incident which reflected this anti-Croat mood among the Serbian population in Croatia was the murder of a 61-year-old Croat worker, Djuro Papes, in July 1973, by a group of Serbs. Papes had come to attend the celebration of the 1941 uprising in the predominantly Serbian village of Banski Grabovac in Banija near Sisak. A group of five Serbian villagers surrounded him, stripped him, allegedly to see whether he had tattooed on his body the letter U for *Ustasa* (the extreme right-wing movement of the wartime Croat dictator, Ante Pavelic, which still has adherents), and then proceeded to batter him to death despite his protestations of innocence of any *Ustasa* connection. News of the murder was kept secret for nearly five months, and was first revealed at a party conference in Croatia on 3 November by Milutin Baltic, himself a Serbian leader from Croatia and, incidentally, widely considered as one of the organizers of the 1971 coup which deposed the former Croat leadership. Baltic's speech, which disclosed details of Papes's murder and other, non-violent, manifestations of the 'Serbian national-religious idyll' in supposedly Communist, ex-partisan areas, was published only a month later.[8] One of the murderers was sentenced to death, two to twenty years and two to ten years each. Though widely condemned by responsible Serbs in Croatia and elsewhere, the murder has nevertheless left a bitter taste and may well have deepened mutual suspicions between Serbs and Croats.[9]

Why did Bakaric and his moderate colleagues come out into the open with their criticisms of the 'Stalinist' faction? Probably to neutralize their opponents and put them on the defensive before the party congress in May. The fact that there were no expulsions at the Croatian party concongress in April suggests that the action has been at least partially successful. But the strength of the faction's support outside Croatia is not known, especially in the army. One of the problems of the hard-liners is

[8] *Vjesnik*, 9 December 1973.
[9] *NIN*, 13 January 1974, warned against this danger.

the lack of a popular, charismatic figure which could appeal to the younger generation born during and after the war. Their strength is that their faction is the natural home for the disgruntled and the discontented whose numbers are likely to increase in the coming months as a result of Yugoslavia's raging inflation (20 per cent last year and likely to be higher this year) and the high rate of unemployment (estimated at 400,000 at the beginning of the year).

Another factor favouring a conservative backlash is the relative weakness of the liberal wing of the party which has been literally decimated by the purges since 1971. In Serbia alone, over 1,300 officials lost their jobs in the first half of 1973 and the purge has continued both there and elsewhere. It has removed many of the modern-minded, moderate men and women who had come into positions of influence in the late 1960s, especially after the dismissal, in 1966, of the powerful Minister of the Interior, Alexander Rankovic. On the other hand, a slightly reassuring element in the situation is the fact that these reform-minded leaders have as a rule been replaced not by the old guard, but by largely unknown men from the party ranks. Provided that Yugoslavia's fundamental position between East and West remains unchanged, it is not impossible that these new party functionaries will gradually mellow, as their predecessors have done before them.

Campaign against dissidents

However, the harsher current attitude towards Yugoslavia's liberal Marxists in Belgrade and Zagreb is likely to continue. These people, notably a group of eight professors at the Belgrade Philosophy faculty, and a similarly-minded group associated with the Zagreb magazine *Praxis*, have for many years been a thorn in the authorities' side. President Tito has attacked them repeatedly, and they have also been strongly criticized in the Soviet block countries. But among the left-wing intelligentsia in the West, the Yugoslav revisionists enjoy a great deal of sympathy and respect. The best known leaders of the Belgrade school are Professors Mihailo Markovic and Svetozar Stojanovic, and the most prominent Zagreb figures are Professors Rudi Supek and Predrag Vranicki. For years, these Yugoslav philosophers have made a speciality of studying and analysing various manifestations of Stalinism. That was fine while Yugoslavia's relations with the Soviet Union were bad, or at least not very cordial. But since the inception of the Soviet–Yugoslav rapprochement, which was ushered in by Leonid Brezhnev's visit to Yugoslavia in September 1971, the intrepid Yugoslav critics of Stalinism have become a nuisance for the country's leaders, not least because of reported Soviet demands that they be silenced. As long as the liberal Serbian leaders, Marko Nikezic and Latinka Perovic, were still in power, the dissident Marxists were protected—though the leaders by no means

always agreed with them and indeed waged a prolonged but generally civilized political battle against them.

After the fall of Nikezic and Perovic in October 1972, the situation changed rapidly. The attacks on the Belgrade group became more and more vicious. In Zagreb, by contrast, the party showed greater circumspection towards the dissidents, perhaps because of the new Croat leaders' almost total isolation from the intelligentsia after the purges and their calculation that the *Praxis* group, which had stood aloof from the former leaders, might eventually become a useful ideological ally. Stojanovic and his colleagues refused to compromise and, indeed, redoubled their efforts to subject the Yugoslav system to the same rigorous and trenchant analyses that they had applied to other 'socialist' countries. An article by Professor Stojanovic on Yugoslavia's post-war de-Stalinization[10] was reported to have caused particular offence to President Tito. In that article, Stojanovic called Yugoslavia's post-war liberalization a 'Stalinist de-stalinisation' conducted by a 'charismatic leadership' which turned it off and on to suit its own power needs. The article was banned amidst a public campaign of abuse, but no action was taken against the professors, apart from the withdrawal of their passports to stop them travelling to the West.

The complicating factor from the authorities' point of view was that, unlike the Croatian intellectuals arrested and imprisoned in 1971 and 1972, the Belgrade professors could not easily be accused of Serbian nationalism. Nor could it be said of them, for instance, that a sizable part of the Serbian émigrés in the West supported them. Nevertheless, the Serbian party apparat, acting under Tito's personal instructions, continued to prepare the ground for what was clearly regarded as a battle of attrition. The call to action came after a joint meeting of the Serbian Central Committee, the Belgrade University Committee, and the Belgrade City Committee on 27 November 1973. Stojanovic and his seven colleagues were accused of conducting 'factional opposition activity contrary to their position as teachers'[11] and their expulsion from the university seemed only a matter of time. The authorities had, meanwhile, forced through a change in the university statutes allowing the party to nominate one half of the members of the Belgrade University governing council; the other half is still elected by the university (i.e. professors, students, and the administrative staff). On 13 January this year, the new assembly, packed with Government nominees, announced the opening of formal proceedings for the removal of the eight professors and lecturers.

However, the campaign ran into unexpected opposition from the students, not only in Belgrade but in Zagreb and Ljubljana too. While

[10] Svetozar Stojanovic, 'Od postrevolucionarne diktature do socijalisticke demokracije' (*Praxis*, May–August 1972).
[11] Tanyug, 6 December 1973.

Belgrade students threatened to go on hunger strike, a co-ordinating committee of Zagreb, Belgrade, and Ljubljana students was formed to agitate against the dismissal of the eight from the university. The West German novelist and Nobel prize winner, Heinrich Böll, who had already intervened on behalf of the imprisoned Croat writers, now came out in support of the Belgrade academics. So did many other leading intellectual figures in the West. Even West Germany's strongly left-wing Young Socialists (Jusos) added their protest to the rest. This seemed to have some effect and the proceedings against the eight were temporarily suspended. But on 2 April, a Belgrade student, Vladimir Palancina, was arrested on charges of reading a banned text,[12] and it is quite possible that pressure for the dismissal of the professors will be renewed once the unfavourable publicity abroad has died down and the big party congress is out of the way.

Half-hearted illiberalism

Nevertheless, the vigorous and on the whole successful defence conducted by the Belgrade dissidents and their supporters is a mildly encouraging sign. Another is the sudden halt in the particularly nasty newspaper campaign against Milovan Djilas, Yugoslavia's first revisionist. Last summer, the formerly liberal Belgrade weekly magazine, *NIN*, published no less than nine anti-Djilas articles in June, July, and August, which seemed to be the prelude to a trial. Then, all of a sudden, the unfinished series was dropped, presumably because of foreign criticism and the tremendous interest aroused by the articles among Yugoslav readers, who had not been able to learn anything about Djilas for years.

These examples would seem to indicate that Yugoslavia's present illiberalism is still half-hearted, hesitant, and occasionally ashamed of itself. The chance that it will be reversed in time remains, at least in theory. But against this must be set the very important structural changes which have taken place since the start of the present phase in December 1971, and which will make a swing back to liberalism more difficult than in the past. Yugoslavia's new Constitution, promulgated on 21 February, has totally abolished the system of direct elections for municipal and other assemblies and replaced it with indirect voting by delegations—clearly designed to prevent the emergence of independent-minded leaders with a strong popular base of support. In Slovenia, it is even planned to make these delegates completely replaceable on an ad hoc basis.[13] At first sight this might appear as a liberal measure aimed at making the politicians more responsive to the electorate, but in fact it will only help the party hierarchy to exercise tighter control. Similarly, the new Constitution provides for direct nomination of at least one-third of the new assemblies by the Socialist Alliance—Yugoslavia's mass organ-

[12] *Le Monde*, 9 April 1974. [13] *NIN*, 7 April 1974.

ization 'under the guidance of the Communist party'. The party's leading role is emphasized in other respects, too. So is the power and competence of the federal bodies, such as the collective presidency of nine members, which has replaced its twenty-three-strong predecessor set up in 1971. The same trend is apparent in the virtual abolition of the Standing Party Conference and the amended party statutes, due to be approved by the congress at the end of May. Here, the former emphasis on the 'federal' character of the Yugoslav Communist party is replaced by stress on its 'unitary' nature. The right of individual members to dissent from the party's view is abolished in favour of renewed emphasis on democratic centralism and discipline. Much of this needs to be worked out still—parts of the Yugoslav Constitution, for example, are merely sketches for future legislation, especially in regard to the enormously complex question of the status of the new 'basic units of associated labour', which are meant to be the backbone of Yugoslavia's self-management system. Will these units prove to be real microcosms of free participation for workers, or will they just be easier to control by the party cells which are to be formed in every single one of them?

Certainly, there are elements in the party and the army who regard the whole of Yugoslavia's admittedly unwieldy and cumbersome self-management system as an irritant, to be removed as soon as possible and replaced by a more streamlined centralist system. This would also seem to be the hope of the Soviet and other Warsaw Pact leaders. They are careful to praise those bits of what President Tito is doing that suit their book—for example, the purge of 'opportunists' from the party.[14] Still, even the present rather tame form of Yugoslav self-management almost certainly remains unacceptable to Moscow. But the Soviet leaders probably hope that the gradual chipping away at Yugoslavia's liberal achievements from the pre-1971 period will continue, and that meanwhile mounting social unrest will strengthen the hand of the hard-liners who want more 'full-blooded socialism' under stricter party control. It is still difficult to visualize Yugoslavia passively allowing herself to be tamed and returning to the Soviet fold. One thing that could prevent this from happening in the near future is the certainty that such a course would produce disastrous economic consequences and much unpopularity for whoever was responsible. On the other hand, a major recession in the West, forcing a sizeable number of Yugoslavia's estimated one million 'guest workers' to return home to face unemployment or at least a sharp drop in living standards, could provide a pretext for a successful Stalinist coup—with or without help from the outside.

[14] *Izvestiya*, 12 April 1974.

Soviet nationalities policy and dissent in the Ukraine

BOHDAN R. BOCIURKIW

The recent expulsion of the Nobel prize-winning novelist, Alexander Solzhenitsyn, from the USSR and the gaoling of the writer, Victor Khaustov, have again focused attention on the persecution of dissidents in the Soviet Union. The policy towards the Ukrainian national rights movement, examined below, is another link in what the distinguished Soviet physicist, Andrei Sakharov, has called 'the long chain of repressions of people for their opinions'.

IN his address marking the fiftieth anniversary of the Soviet Union, the Secretary General of the Communist Party, Leonid Ilich Brezhnev, declared in December 1972 that the nationalities question in the USSR 'has been resolved completely, resolved definitely and irrevocably'. He went on to reiterate the Party's new thesis that 'in the process of socialist construction' 'a new historic community—the Soviet people—has emerged' out of many nationalities comprising the USSR.[1] This integration process, Brezhnev claimed, was an 'objective' and 'progressive development', and he warned that

> the Party regards as impermissible any attempt whatsoever to hold back this process of drawing together of nations, to obstruct it on any

[1] This thesis was first advanced in Brezhnev's report to the 24th Party Congress on 30 March 1971. See the corresponding Congress resolution in *24th Congress of the Communist Party of the Soviet Union, March 30–April 9, 1971. Documents* (Moscow, 1971), p. 226. The adoption of the new formula represented a significant victory for the advocates of the 'assimilationist' model in a debate over the future of nationalities in the USSR which had been carried on during the 1960s by Soviet academics, a debate that reflected differences within the Soviet leadership over the future course of the regime's nationalities policy (see Grey Hodnett, 'What's in a Nation?', *Problems of Communism*, Vol. XVI, No. 5 [September–October, 1967], pp. 2–15). In a subsequent elaboration of Brezhnev's thesis, two well-known representatives of the 'assimilationist school', Rogachev and Sverdlin, declared that the 'Soviet people' is 'a community of higher order than a nation. It does resemble a nation by many essential features (community of economy, territory, culture, psychology; consciousness of belonging to the Soviet [people]; the presence of an all-Union language of international communication [Russian], etc.)'. P. M. Rogachev and M. A. Sverdlin, 'SSSR—Otechestvo mnogonatsional-nogo sovetskogo naroda' [USSR—the Fatherland of a Multi-National Soviet People], *Filosofskie nauki*, No. 2, 1973, p. 10.

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pretext or artificially to reinforce national isolation, because this would be at variance with the general direction of development of our society...[2]

In true Bolshevik tradition, the Party did not fail to use 'administrative methods' to help this historical necessity take its 'objective' course. In the Ukraine, the largest of the non-Russian republics, this golden anniversary year was marked by mass arrests of intellectuals for arguing precisely the opposite of Mr Brezhnev's claims: that the Party had in fact failed to solve the nationalities question; that the Soviet leadership had betrayed the internationalist principles of Lenin's nationalities policy in continuing the absurd and self-defeating Stalinist practice of discrimination against non-Russian languages and cultures; and that this policy, far from bringing about integration, was in fact aggravating the antagonism between Russians and non-Russian peoples and eroding the very foundations of the Soviet system. The seriousness of the situation in the Ukraine was further underlined by the Kremlin's removal, in May 1972, of Petro Shelest from the leadership of the Ukrainian party organization for what was subsequently described as an 'unprincipled, appeasing attitude . . . to the manifestations of national narrow-mindeness and localism in the Republic'.[3]

It is clear that Brezhnev's claim of complete success in solving the complex Soviet nationalities problem was, at best, grossly premature. From our examination of the ferment in the contemporary Ukraine we hope to show that nationalism has, in fact, been on the rise among the peoples of the USSR, and not only in the ranks of intellectuals, writers, and artists but within the republican Party-State elite as well. The premature announcement of the birth of a Soviet 'super-nation' was to provide, it seems, an ex post facto rationalization of the massive Russification drive in Soviet education and publishing, which was resumed from the end of the 1950s, and to signal an even more vehement attack against the defenders of the linguistic, cultural, and constitutional rights of the non-Russian peoples.[4]

Past policies

Let us first briefly examine the underlying assumptions and the past course of the Soviet nationalities policy. From the start, this policy was guided by the Marxist-Leninist theory which underestimated the viability and adaptability of nations after the proletarian revolution,

[2] L. I. Brezhnev, 'On the 50th Anniversary of the Union of Soviet Socialist Republics' (21 December 1972), reproduced in *Current Digest of the Soviet Press*, XXIV, No. 51, 1973, p. 9.

[3] Editorial 'Partiinaya zabota o kadrakh' [The Party's Concern about the Cadres], *Kommunist Ukrainy*, No. 6, 1973, p. 9.

[4] Cf. Teresa R. Harmstone, 'Soviet National Integration: Attitudes, Problems, Prospects,' a working paper presented to the Annual Meeting of the Canadian Association of Slavists at Queen's University, Kingston, Ont., in June 1973, p. 2.

viewed nationalism as incompatible with modernization, and associate society's progress towards Communism with the progressive submer gence of nations in a new Communist society. The Marxist bias in favou of large, centralized states absorbing the small, 'non-historical' subjec peoples found a fertile ground in the assimilationist tendencies of th Russian Imperial tradition which the new Soviet state inherited from th *ancien régime*.

With the reconquest of the borderlands which seceded from th Russian Empire after the 1917 Revolution, political expedience com pelled the Bolsheviks to adopt reluctantly a federal structure for the nev political system. Against Stalin's preference for reannexing the border lands to Soviet Russia, Lenin conceived of the USSR as a supra-nationa union in which the larger non-Russian nationalities were invested witl symbols of national statehood and given the status of formal equalit with the Soviet Russian republic. But in line with their theory, the Bol sheviks conceived of federalism as a 'necessary evil', a transitional stag in Soviet political development—from the post-1917 separation to th more perfect unitary socialist republic of the future. Even this limite acceptance of a federal solution for the Soviet nationalities problem wa largely negated by Lenin's refusal to 'federalize' the ruling Communis Party along nationality lines. It was difficult enough to ensure the politica equality of the border republics with Russia holding three-fifths of th population and three-fourths of the territory of the USSR. Russia domination of the Party—ruled entirely from Moscow and rapidl assuming the monopoly of political power—made the realization of th Soviet federal formula a seemingly impossible prospect. Yet the toke statehood within the Soviet federation became a 'psychological reality to the growing ranks of non-Russian intelligentsia under the so-calle 'indigenization' (*korenizatsiya*) policy of the 1920s. Dissatisfied with th mere appearances of republican autonomy, the new national elites wer soon pressing the centre for their share of power, challenging Russia hegemony in the borderlands.[5] By the end of the decade, the spectre o 'national Communism' in the Ukraine and other republics led Stalin— now well established at the controls of the regime—to reverse the direc tion of the Soviet nationalities policy.

Under the new course, 'local nationalism' was declared the 'mai danger' in the non-Russian republics; subsumed now under this dange was any effective struggle against Russian 'great power chauvinism entrenched in the rapidly expanding, all-Union bureaucracy. Appeals t internationalist class loyalties were displaced by the new formula o 'Soviet patriotism'. Given the numerical and political weight of Russian in Party and State, it was inevitable that the notion of 'Soviet Father

[5] See Richard Pipes, '"Solving" the Nationality Problem', *Problems of Com munism*, Vol. XVI, No. 5 (September–October, 1967), p. 128.

land' came to be closely identified with Russia and imbued with Russian political tradition and cultural heritage. Stalin's growing reliance on Russification as a substitute for the building of a new supra-national society encountered the resistance of the new national Communist cadres and the young cultural elite in the Ukraine and other borderlands. During the 1930s, their opposition was suppressed in bloody purges that swept away the best elements of the national elites, laying waste entire areas of culture, scholarship, and education.[6] The most extreme manifestations of Stalin's genocidal tendencies came during the Second World War when several smaller peoples were deported in toto on unfounded charges of 'treason to the Soviet Fatherland'.[7] According to Khrushchev,

> The Ukrainians avoided meeting this fate only because there were too many of them and there was no place to which to deport them. Otherwise, he [Stalin] would have deported them also.[8]

During the post-Stalin succession struggle, the latent ethnic tensions emerged into the open when first Beria, and then Khrushchev, tried to manipulate the nationalities' grievances to mobilize political support in the republics against their rivals in Moscow.

Khrushchev's de-Stalinization campaign brought short-lived concessions to non-Russian nationalities. Under the slogan of a 'return to Leninism', native Communists were promoted to top Party posts (until 1953, e.g., no Ukrainian was ever appointed as First Party Secretary in the Ukrainian Republic). By the mid-1950s came the extension of republican powers over economy and administration. The Party sanctioned the rehabilitation of some prominent national figures who had perished in Stalin's purges or been posthumously purged out of the history books, allowed the restoration of some banned or falsified elements of national history, and offered modest encouragement to the national cultures and languages. These concessions were enough to stimulate the beginnings of a new cultural renaissance in the Ukraine and some other republics. However, the cultural upsurge among minority nationalities, which could not but involve some de-Russification of education, publishing, and public life, was evidently seen by elements of the local Russian

[6] See Roman Szporluk, 'Nationalities and the Russian Problem in the USSR', *Journal of International Affairs*, Vol. XXVII, No. 1 (1973), pp. 29–31. In the Ukraine alone, only three out of 102 members and candidates of the Party Central Committee survived the purge which claimed, among others, *all* members of the Soviet Ukrainian government and all *oblast* Party secretaries.

[7] See Robert Conquest, *The Nation Killers. The Soviet Deportation of Nationalities* (London: Macmillan, 1970). Eight entire nationalities were deported to Kazakhstan, Siberia, and Central Asia: the Volga Germans, Kalmyks, Crimean Tatars, Chechens, Ingushi, Balkars, Karachai, and Meskhetians. They were all 'rehabilitated' during the Khrushchev era, but the Volga Germans, Crimean Tatars, and Meskhetians were not allowed to return to their homelands.

[8] *The Crimes of the Stalin Era.* Special Report to the 20th Congress of the Communist Party of the Soviet Union by Nikita S. Khrushchev. Annotated by Boris I. Nikolaevsky (New York: The New Leader, 1956), pp. S44–S45.

minorities as a threat to their strategic position and vested interests in the republics. Their alarm signals about the dangers of 'bourgeois nationalism' found a responsive ear in Moscow which was becoming increasingly concerned about the trends of economic nationalism in some republics.

By the end of the 1950s, the Soviet leadership began to reapply Russification pressures—chiefly through educational reforms[9]—and from 1960 it started to reimpose centralization in economic managements and administration. The new Party programme adopted at the 1961 Congress formulated the nationalities policy tasks in clearly integrationalist terms: further development of nations within the USSR was henceforth to be fostered only to the extent that it would not interfere with the more progressive tendency of drawing them together with a view to their eventual merger in the mature Communist society.[10] Behind these quasi-Marxist semantics, one could hardly mistake the return to the familiar Stalinist formula: integration through Russification.

Ukrainian dissent

The Ukraine has been the scene of possibly the most widespread and most articulate opposition to the assimilationist policies of the post-Stalin regime. Ukrainian dissent manifested itself at essentially three levels: in the form of clandestine, conspiratorial organizations; as open, intellectual dissent; and at the official level, as an opinion group or policy tendency within the Ukrainian Party and State establishment.

The first, the underground current, continued a tradition of conspiratorial national Communist or nationalist groups, most of them based on the Western Ukraine. Two such organizations were formed during 1960—a 'Ukrainian Workers' and Peasants' Union' and a 'Ukrainian National Committee', which advocated a peaceful secession of the Ukraine from the USSR under Article 17 of the Constitution.[11] Another similar organization, a 'Ukrainian National Front', was set up in 1964 to carry on propaganda for an independent Ukraine; significantly, some of the Front's appeals were reportedly circulated by the Chinese Communists.[12] After these groups were discovered by the KGB, their mem-

[9] See Yaroslav Bilinsky, 'The Soviet Education Laws of 1958–1959 and Soviet Nationality Policy', *Soviet Studies*, Vol. XIV, No. 2 (October 1962), pp. 138–57. For a recent assessment of the Russification impact of Khrushchev's educational reforms, see Brian D. Silver, 'The Status of National Minority Languages in Soviet Education: An Assessment of Recent Changes', *Soviet Studies*, Vol. XXVI, No. 1 (January 1974), pp. 28–40.

[10] *Documents of the 22nd Congress of the CPSU*. Vol. II: *Report on the Program of the Communist Party of the Soviet Union by N. S. Khrushchev* (New York: Crosscurrents Press, 1961), pp. 115–18.

[11] See the relevant documents, Michael Browne (ed.), *Ferment in the Ukraine* (London: Macmillan, 1971), pp. 31–93.

[12] Victor Swoboda, 'The Western Republics', *Conflict Studies*, No. 30 (December 1972), pp. 6–7.

›ers were tried in camera and given the heaviest sentences available under he Soviet criminal code.[13]

The second level of protest, which is of special interest to us, involved ›pen intellectual dissent, 'orthodox' in terms of its professed loyalty to ›oviet constitutional and legal norms. Centring mainly in Kiev and ›viv, this current was spearheaded by a loosely-structured group of ›oung intellectuals known as *shestydesiatnyky*—'the generation of the ›ixties'. From their initial literary concerns, these writers, literary critics, ›rtists, journalists, and scholars turned by the early 1960s to an increas-ngly vocal defence of the Ukrainian language, culture, and education ›gainst the escalating Russification pressures. Through privately organ-zed discussion meetings, with the help of petitions and *samizdat* writings, he intellectual dissenters have articulated Ukrainian interests and pub-icized grievances, mobilizing support for their cause among the broader ›krainian public. Repeatedly, they appealed to the Ukrainian Party and ›tate leaders to take up the defence of the constitutionally guaranteed ›ational rights against the encroachments from Moscow.[14]

The third, least structured, variety of dissent crystallized at the official ›evel, among some Ukrainian members of the republican establishment. ›t expressed itself not only in the form of an economic 'localism'—i.e., a ›endency to place republican interests above those of the all-Union ›conomy—but also involved attempts to influence cultural and educa-ional policies, or at least to modify or frustrate them, in line with Ukrain-an interests. It seems that this 'Ukrainian faction' eventually coalesced ›round Petro Shelest, who headed the Kiev Oblast Party organization ›rom 1957, and in 1963 moved to the post of First Secretary of the Com-nunist Party of the Ukraine. Some linkages developed between the intel-›ectual dissenters and Shelest's 'inner circle', which reportedly included a few intellectual dissidents—most notably the literary critic, Ivan Dzyuba. It has long been rumoured that Shelest protected and patronized some leading intellectual dissenters, defending them from repeated charges of 'bourgeois nationalism', 'anti-Soviet activities', or 'links' with the Ukrainian nationalist emigrés.[15] It was probably some members of this 'inner' circle who encouraged and helped Shelest to write his sub-sequently condemned book, *Ukraine, Our Soviet Land*, a widely circu-

[13] See Borys Lewytzkyj, *Politische Opposition in der Sowjetunion, 1960–1972: Analyse und Dokumentation* (Munich: Deutscher Taschenbuch Verlag, 1973), pp. 67–68, 114–15.

[14] Cf. John Kolasky, *Two Years in Soviet Ukraine* (Toronto: Peter Martin, 1970), pp. 190–228; Iwan Koszeliwec, *Ukraina, 1956–1968* (Paris: 'Kultura', 1969); and George Luckyj, 'Turmoil in the Ukraine', *Problems of Communism*, Vol. XVII, No. 4 (July–August 1968), pp. 14–20.

[15] See 'Struggle in the Kremlin', *Soviet Analyst*, Vol. I, No. 8 (8 June 1972), pp. 3–4; 'Chomu usuneno Petra Shelesta?' [Why Was Petro Shelest Removed?], *Ukrainske Slovo* (Paris), 3 June 1973; M. Prokop, 'Padinnia Petra Shelesta' (The Fall of Petro Shelest), *Suchasnist* (Munich), Vol. III, No. 6 (June 1973), pp. 98–110.

lated popular manual on the republic, imbued with a strong sense of Soviet Ukrainian patriotism.[16]

Khrushchev's removal from power in the autumn of 1964 raised Ukrainian hopes for the revision of his nationalities policy. Indeed, for a while it appeared that the new leadership was again reasserting republican autonomy and restoring some of the gains of de-Stalinization. In Kiev and some other cities, public meetings of young intellectuals and students erupted in open demands for the ending of discrimination against the Ukrainian language and culture. According to the dissident sources, plans were being made by the government in Kiev to revert to the Ukrainian language of instruction in many Russified areas of higher education.[17] In June 1965, a *samizdat* publication circulating on the 'liberal fringe' of the Moscow establishment voiced the growing apprehension of 'many comrades' over the 'intensification of nationalist currents and tendencies in the Ukraine'. These tendencies were noted in the 'excessively harsh' reaction 'on the part of the Ukrainian intelligentsia and the *apparat*' to Russification in education and culture, as well as in the 'activities of some state and even party organs'.[18]

The optimistic mood in the Ukraine was shattered, by the end of the summer of 1965, by a sudden shift in the Kremlin's policy, away from 'de-Stalinization' in the direction of reinforced thought-controls, centralization, and accelerated assimilation. This policy shift reflected major changes in the balance of forces at the top of the Soviet system. It seems that a new powerful combination of forces coalesced around Brezhnev: it included conservative military interests alarmed by the decline in the young people's 'Soviet patriotism', the propaganda apparatus concerned about the attrition of the Party's ideological influence over the intellectuals and the youth, and the KGB which has traditionally had a vested interest in magnifying internal threats to the regime posed by intellectual dissent and centrifugal tendencies among the nationalities.

Dzyuba's protest

During late August and September 1965, the KGB rounded up several scores of intellectuals in the Ukraine; eventually twenty dissenters were tried—mostly in camera—with sixteen of them given sentences ranging up to six years for alleged 'anti-Soviet propaganda'.[19] This selective terror

[16] P. Y. Shelest, *Ukraino nasha Radianska* (Kiev: V-vo politychnoi literatury Ukrainy, 1970). The book appeared in a huge printing of 100,000 copies.

[17] See an account of a report and instructions issued by the Ukrainian Minister of Higher and Specialized Secondary Education, M. Y. Dadenkov, in August 1965, supplied by V. Chornovil in *Ukrainsky Visnyk* [The Ukrainian Herald], No. 6, 1972 (Baltimore: 'Smoloskyp', 1972), pp. 25–30.

[18] 'Usilenie natsionalisticheskikh techenii i tendentsii na Ukraine,' *Politicheskii dnevnik* (The Political Diary), No. 9 (June 1965), reproduced in *Arkhiv Samizdata* (Columbus, Ohio: Ohio State University Center for Slavic and East European Studies, n.d.), Vol. XX, listed under AC no. 1002, pp. 32–3.

[19] For a documented account of 1965–66 arrests and trials, see V. Chornovil, *The Chornovil Papers* (Toronto: McGraw-Hill, 1968).

ɾainst dissenters failed to intimidate the Ukrainian intelligentsia, which ;sponded to the arrests and trials with demonstrations of sympathy for ıe accused and flooded the Party and State offices with protest letters. he most significant protest emerged from the pen of Ivan Dzyuba, him- lf a leading dissident who reportedly escaped arrest thanks to Shelest's tervention. Encouraged by the Ukrainian Party leaders to state his case writing, Dzyuba addressed to Shelest and the Soviet Ukrainian remier, Shcherbytsky, a lengthy document which was subsequently rculated to other Party Presidium members and all provincial Party cretaries in the Ukraine. The document, entitled 'Internationalism or ussification?' proved to be the most incisive analysis of the Soviet ıtionalities policy ever to emerge from the USSR. Charging Stalin with ɜrversion of Leninist internationalist principles, Dzyuba sharply criti- zed the Soviet leaders for continuing his Russification course, for pro- ıoting or at least not opposing Russian great power chauvinism, and for ıus alienating from the system the best elements of the Ukrainian telligentsia. Thanks to such anti-Leninist policies, Dzyuba claimed, ıe Ukranian nation had been experiencing a fundamental crisis threaten- g its very existence:

> Territorial unity and sovereignty are being gradually and progressively lost through mass resettlement . . . of the Ukrainian population to Siberia, the north, and other regions . . .; through an organized mass resettlement of Russians in the Ukraine, not always motivated by economic reasons . . .; through administrative divisions that remain a formality and through the doubtful sovereignty of the government of the Ukrainian SSR over the territory of the Ukraine. This latter reason, coupled with excessive centralization and total subordination to all Union authorities in Moscow, makes it equally difficult to speak of the integrity and sovereignty of the economic life of the Ukrainian nation. A sense of common historical destiny is also being lost as the Ukrainian nation is being progressively dispersed over the Soviet Union, and as the sense of national tradition and the knowledge of the historical past are gradually lost due to a total lack of national education in the schools and in society in general. Ukrainian national culture is being kept in a rather provincial position and is practically treated as 'second rate'; . . . and the Ukrainian language has been pushed into the background and is not really used in the cities of the Ukraine.[20]

Ninety-nine per cent of the public, Dzyuba stated, understood under the 'drawing together of nations' their 'absorption' by the Russian nation. The 'theory' of a single 'Soviet nation', however one formulated it, had only served to provide a 'theoretical' basis and justification for the wide-spread Russification process. Dzyuba concluded his document with a

[20] Ivan Dzyuba, *Internationalism or Russification? A Study in the Soviet Nationalities Problem* (2d ed.; London: Weidenfeld & Nicolson, 1970), p. 14.

call to the Soviet Ukrainian Government to take up the defence and promotion of the nation's interests.[21]

Significantly, the cause of the Ukrainian dissenters received some support from the Communist Party of Canada. In 1967, pressed by its Ukrainian members (known to have kept in touch with Shelest), the Canadian party dispatched a high-level delegation to the Ukraine to examine 'the policy and experience of the Communist Party and the Government of the Ukraine in dealing with the nationalities question'. The delegation's report published early in 1967 was not entirely complimentary to the regime. It criticized secret trials of Ukrainian writers and others as 'violation of socialist democracy and denial of civil rights' and observed that 'there has been a tendency in some quarters to brand as bourgeois nationalism or as some kind of deviation demands for the greater use of the Ukrainian language in public institutions'.[22]

Growing repression

By the turn of the decade, it became clear that the 1965 arrests had only aggravated the situation in the Ukraine. The ranks of dissenters continued to grow and there was closer co-operation and solidarity developing between the Ukrainian dissidents and the civil rights movement in Russia. *Samizdat* circulation was growing in volume and quality and, beginning in 1970, a clandestine periodical, *The Ukrainian Herald*, made its appearance as a mouthpiece of the Ukrainian protest movement.[23] Confrontations between dissidents and the authorities were receiving increasing publicity both abroad and—through *samizdat* and foreign radio broadcasts—in the USSR as well.

Moscow's growing alarm over the direction of events in the Ukraine was reflected in the removal, in July 1970, of Shelest's friend, Nikitchenko, from the command of the secret police in the Republic. The new KGB chief, V. V. Fedorchuk, was apparently appointed over Shelest's head and charged with the task of stepping up the offensive against the Ukrainian dissent movement and, very likely, of 'exposing' the political 'errors' of the Ukrainian Party chief.[24] The new, tougher, line against the Ukrainian dissenters was signalled by the secret trial, in November 1970, of the historian Valentyn Moroz, the most radical critic of Soviet

[21] Dzyuba, *op. cit.*, Chapters 12, 14, and Conclusions. Significantly, the Soviet authorities hastened to publish for emigré and foreign consumption only, a 'rebuttal' of Dzyuba's critique, *What I. Dzyuba Stands For and How He Does It* (Kiev, 1970) by Bohdan Stenchuk (a pseudonym).

[22] 'Report of Delegation to Ukraine. Central Committee Meeting—September 16, 17 and 18, 1967', *Viewpoint*, Vol. V, No. 1 (January 1968), pp. 1–13.

[23] Of the six issues of *Ukrainsky Visnyk* that appeared during 1970–72, five were published by 'Smoloskyp' (Baltimore) in 1971 and 1972. Issue No. 5 has not yet been published in full.

[24] See 'Ukrainian KGB Boss in Politburo', *Radio Free Europe Research*, Communist Area, No. 1900 (8 October 1973), and Prokop, 'Padinnia Shelesta', *loc. cit.*

policy in the Ukraine. He was given a draconian sentence of fourteen years imprisonment and exile for writing several essays exposing Russification and cultural vandalism in the Ukraine and attacking survivals of Stalinist totalitarianism in the USSR.[25] During 1971, the KGB intensified its efforts to intimidate, isolate, and infiltrate dissident circles in the Ukraine and, in particular, to seize control of their channels of communication with the West.[26]

By December 1971, the Politburo had evidently decided on an all-out attack against all manifestations of dissent in the Soviet Union. The following month, the KGB launched mass arrests of known or suspected intellectual dissenters in the Ukraine under the pretext that they were acting in alliance with the emigré 'bourgeois nationalists' and 'their imperialist bosses'. To 'substantiate' these charges, the police produced a confessed emissary from a Ukrainian nationalist organization abroad sent to establish links with some prominent dissidents[27]—a case which displayed the hallmark of a KGB provocation that seemed to be aimed also against Shelest and his 'Ukrainian faction'. In April came the arrest of the most prominent critic of Soviet nationalities policy, Ivan Dzyuba. Shelest's reported efforts to shield Dzyuba now proved fruitless; and within one month he was himself relieved of the Party command in the Ukraine.

Throughout 1972 and 1973, searches, interrogations, arrests, and secret trials continued in the Ukraine, engulfing a widening circle of people, possibly as many as 250 individuals from all walks of life. Only a

[25] Moroz's principal writings include 'A Report from the Beria Reservation', a remarkable critique of Soviet totalitarianism (reproduced in Browne, *op. cit.*, pp. 119–53); *A Chronicle of Resistance in Ukraine* (Baltimore-Paris: 'Smoloskyp', 1970), 17 pp.; and *Among the Snows* (London: Ukrainian Information Service, 1971).

[26] In this connection, at least two Soviet Ukrainian academics 'specializing' in the 'struggle against Ukrainian nationalism' were dispatched abroad in 1971, evidently to study emigré nationalist groups, their connections with the opposition in the Ukraine, and their influence upon the policy-makers and public opinion in their new homelands. During the same year, several Ukrainian students from the West were briefly detained and interrogated by the KGB about their alleged meetings with some Ukrainian dissident intellectuals; they were subsequently expelled from the USSR. As was later revealed in the emigré press, at least one of the dissenters in the Ukraine who had maintained contacts with Ukrainian visitors from the West and supplied them with *samizdat* materials had, already by 1971, become suspected of turning agent-provocateur for the secret police (see, e.g., *Ukrainske Slovo*, 25 March 1973; cf. revelations in 'confessions' of Yaroslav Dobosh [*Visti z Ukrainy*, No. 24, 8 June 1972], Mykola Kholodny [*Literaturna Ukraina*, 7 July 1972], and Leonid Seleznenko [*Robitnycha hazeta*, 8 July 1972]). According to the last issue of *Ukrainian Herald* (March 1972), the role of provocateur during the arrests and interrogations was performed by Hanna Kotsur [or Kochur], a Kiev University student from Czechoslovakia (*Ukrainsky Visnyk*, No. 6, p. 11).

[27] For the 'confession' of this nationalist emissary, Yaroslav Dobosh, which figured in accusations against some prominent Ukrainian dissenters, see *Visti z Ukrainy*, No. 28, 8 June 1972. It appears that Dobosh was lured into the KGB trap by an agent-provocateur.

few individuals broke down under preliminary interrogation, to buy their release with humiliating 'confessions' and denunciations of others.[28] By now some forty dissenters are known to have been sentenced in de facto secret trials to extremely harsh terms ranging up to fifteen years of prison or forced labour camp and exile. Ivan Svitlychny, a literary critic, and Viacheslav Chornovil, a journalist, were given twelve years each; Ivan Dzyuba, critically ill with tuberculosis, was sentenced to five years' imprisonment. Several received the maximum sentence of fifteen years, including Yuriy Shukhevych (who had already served twenty years for being a son of the Ukrainian nationalist partisan leader) and Danylo Shumuk (who had also spent twenty years in Soviet concentration camps); both were reportedly accused of writing memoirs depicting their experiences in the labour camps.[29] At least two dissenters, including a Kiev mathematician, Leonid Plyushch, were confined for an indefinite term to special psychiatric prison wards. Intense physical and psychological pressures applied to the arrested intellectuals to extort their 'confessions' and 'repentance' were kept up by the KGB *after* they had been tried and sentenced. Characteristically, the Soviet authorities were above all interested in compromising the dissidents as moral weaklings and in discrediting their ideas in the eyes of their followers and sympathizers; they were also eager to intimidate would-be dissenters critical of the regime by a display of police 'omnipotence' in breaking and humiliating its critics. In the autumn of 1973, after one and a half years of such treatment in the Kiev prison, Ivan Dzyuba was finally made to repudiate in a pathetic 'confession' his earlier critique of Soviet nationality policy in the Ukraine.[30]

Simultaneously with the arrests came a sweeping purge of all those suspected of sympathizing with the dissidents, within the writers' and artists' unions, the Ukrainian Academy of Sciences, universities, and

[28] Including the philologist Zinoviya Franko, the scientist L. Seleznenko, and the poet M. Kholodny.

[29] Sentenced to *15 years* of imprisonment and exile was also locksmith Ivan Hel; to *12 years*: literary critic Yevhen Sverstyuk; to *10 years*: Orthodox priest Vasyl Romanyuk, art teacher Oleksa Serhiyenko, writer Mykhaylo Osadchy, chemist Zynoviy Antonyuk, and psychiatrist Semen Gluzman; to *9 years*: poetess Iryna Stasiv-Kalynets; to *8 years*: poets Ihor Kalynets and Vasyl Stus, and artist Stefaniya Shabatura; to *7 years*: scientific researcher Yevhen Pronyuk; to *5 years*: teacher Ivan Kovalenko, scientific researcher Vasyl Lisovy, writer Oleksiy Riznykiv, student Volodymyr Rohytsky; to *4 years*: librarian Nadya Svitlychna-Shumuk, and biologist Nina Strokata-Karavanska; to *3 years*: poet Taras Melnychuk, student Hanna Kochur, and university teacher Petro Grodsky (the last two were extradited as Czechoslovak citizens to CSSR and tried in Slovakia); to *2 years*: Oleksa Prytyka; to *1 year*: typist Lyuba Serednyak. The above list is incomplete.

[30] Dated 6 November, Dzyuba's 'Declaration' was published in *Literaturna Ukraina*, 9 November 1973. The document, which bears traces of Dzyuba's long and losing struggle to preserve his intellectual and moral integrity, reveals that, while undergoing investigation in prison, he started working on a 'comprehensive critique' of his *Internationalism or Russification?*

;ditorial boards. A massive campaign was launched among intellectuals ınd students to 're-educate' them in the spirit of 'Soviet patriotism' and uncompromising struggle against hostile ideology', especially 'Ukrainian ›ourgeois nationalism' and 'Zionism'.[31] A growing number of 'Shelest's nen' were removed, following his downfall, from important party and tate offices, including the Party's ideological secretary in the Ukraine,)vcharenko, several provincial party secretaries, ministers of culture and ıigher education, and numerous other government officials.[32] Like Shcherbytsky who replaced Shelest as First Party Secretary, many of the ıewly promoted officials had been associated in the past with Brezhnev ınd his faction; they were now quick to join in the campaign to stamp out Shelestism' in the Republic, a campaign which was launched in the pring of 1973 by the journal *Komunist Ukrainy* in the guise of an unigned review condemning Shelest's formerly highly praised *Ukraine,)ur Soviet Land.*[33]

.ong-term impact

It is too early to assess the ultimate impact of the latest arrests and ›urges on the Ukrainian public. Doubtless, the authorities have suceeded in depriving the dissident movement of its most articulate spokesnen and in silencing (by March 1972) its periodical, *The Ukrainian Ierald*. The scope and severity of the repressions have grown signifiantly when compared with the events of 1965–6. It is, however, unlikely hat the current measures will produce results comparable to the paraysing effects of the bloody Stalinist purges on the national self-assertion ıf the previous Ukrainian generation. Rather, given the present state of ›ublic opinion, the latest arrests and purges will further aggravate Jkrainian–Russian relations and spread more widely bitterness and disffection with the existing political system. One certain victim of these levelopments has been the surviving faith in the rule of law in the

[31] See *Soviet Analyst*, Vol. II, No. 2 (7 June 1973), pp. 3–5; No. 4 (15 February 973), pp. 2–4; No. 6 (2 August 1973), p. 3; R. H. Symonenko, 'Ukrainian lourgeois Nationalism—Instrument of Contemporary Anticommunism', *Visnyk Ikademii Nauk Ukrainskoyi RSR*, No. 11, November 1973, pp. 41–53 (in *Digest f the Soviet Ukrainian Press*, September 1973, pp. 27–31); the resolution of the Jkrainian Komsomol Plenum on 'patriotic and internationalist education of outh' in *Molod Ukrainy*, 20 September 1973 (*in Digest of the Soviet Ukrainian 'ress*, November 1973, pp. 6–7); and 'Ukrainian KGB Boss in Politburo', *Radio 'ree Europe Research*, Communist Area, 8 October 1973.

[32] See 'Stamping out Shelestism', *Soviet Analyst*, Vol. II, No. 2 (7 June 1973), p. 3–5; and 'Pozprava z "Shelestivshchynoyu"' [Settling Accounts with Shelestism'], *Ukrainske Slovo*, 13 January 1974.

[33] 'Concerning the Serious Faults and Errors of One Book', *Kommunist Ikrainy*, No. 4, April 1973, pp. 77–82 (*Digest of the Soviet Ukrainian Press*, May 973, pp. 1–6). Prior to the publication of this attack on Shelest, the authorities ad to replace editors of this Party journal. This 'book review'—rumoured to have een written by V. Shcherbytsky himself—appeared at the time when Shelest was ıll a member of the Politburo in Moscow.

USSR, which propelled much of the open civil rights movement over th
past decade. From now on dissent will increasingly express itself throug
conspiratorial channels and its objectives and methods are bound t
become more radical.

The current course of the Kremlin's nationalities policy, with it
stress on the accelerated submergence of non-Russian nations in th
melting-pot of 'one Soviet people', can only reinforce the feelings c
alienation from Moscow on the part of the Ukrainian elite. Its frustratio
in the face of Moscow's continued interference with the Ukraine
development, the promotion of policies of assimilation and the impositio
of Russian cultural models, and a deliberate weakening of the nation'
political-territorial base, is deepened by the feeling of national deprivatio
as this elite compares the status of the Ukrainian SSR with that of th
formally independent socialist states of Eastern Europe or, for th
matter, with that of the newly emancipated Western colonies an
dependencies.[34]

In the years to come, the nationalities question, far from reaching it
solution, is likely to become an even more explosive issue in Sovie
domestic politics and a source of greater internal instability for the Sovie
system. Given the continuation of the present policy of denying th
existence of this problem, while using increasingly violent means t
suppress national dissent, fewer and fewer options will remain for th
resolution of the Soviet nationalities problem within the framework c
the existing political order.

[34] Cf. Harmstone, *op. cit.*, p. 5.

CORRIGENDUM

In the February 1974 issue, page 77, the attribution to *L'Unità* i
footnote 9 was an error.

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Note of the month

UN FOCUS ON RAW MATERIALS

THE sixth Special Session of the UN General Assembly (9 April–2 May) on raw materials and development was requested by President Boumedienne of Algeria, chairman in office of the non-aligned group, as a counter-move to France's proposals for a UN Energy Conference. It also provided the occasion to mobilize the non-aligned group at the highest political level and promote the economic decisions taken by its summit meeting in Algiers last September inside the UN. On 2 May the session adopted two documents—a Declaration on the Establishment of a New International Economic Order, and a Programme of Action[1] containing both general measures in favour of all developing countries and special emergency relief measures for the forty or so 'hardest hit'. These are the poorest non-oil developing countries needing an estimated extra $5,000 m.–$8,000 m. to meet increased costs of food, fertilizer, and oil in 1974 alone.

UN diplomats are unanimous that the adoption of two such texts would have been 'unthinkable' at Unctad III, in Santiago, two years ago: in spite of numerous reservations to provisions in the final texts, the West's participation (excepting the US and South Africa) in their adoption by consensus signalled a highly political gesture of conciliation towards the Third World. Admittedly, this change of heart was due largely to Opec's recent actions, and fears that other raw materials producers might follow suit.

In his speech to the plenary session on 10 April, President Boumedienne hailed Opec's measures as the 'first, most concrete and most spectacular illustration of the importance of raw materials prices for developing countries, as well as the vital need for them to control them, and the considerable potential of a union of raw materials producing countries'. He urged developing countries to form other producers' groups and affirm their economic sovereignty by nationalizing foreign-owned natural resources. But he also called on the rich countries to help bring about a new era of international economic justice through a massive transformation of present trade and aid patterns (and of the more wasteful aspects of consumer societies) as well as immediate emergency relief measures to help the 'hardest hit'. Endorsing Boumedienne's proposals, developing countries hastened to praise Opec for

[1] UN Doc. A/9556.

'catalysing' a long overdue dialogue on north-south economic rela
tionships at the highest political level. But they did not hesitate t
attack the oil producers in private meetings of the '77' group fo
bringing them to the verge of ruin. In reply, the producers reportedl
made several private pledges of financial support to the most vulnerable
and publicly announced recent and imminent aid commitments total
ling several billion dollars, notably through the Islamic Developmen
Bank, the Arab-African Bank, and the future Non-Aligned Develop
ment Fund. However, all but Iran and Venezuela were studiously vagu
about the Opec development fund, established in principle on 7 Apri
in Geneva. Also, only Venezuela actively supported Iran's idea fo
a Special Development Fund outside the UN, financed by $150 m
contributions from ten to twelve industrialized and ten to twelve oi
producing countries.

Most Western countries also failed to support the Iranian plan
although France, the UK, Norway, and New Zealand gave it a polit
welcome in plenary. Regarding the 'hardest hit', the EEC stated it
readiness 'to examine the most effective procedures for an exceptiona
aid project', Mr Kissinger urged 'our most urgent attention' to thei
needs plus efforts to boost world food and fertilizer production, whil
New Zealand proposed the immediate establishment of a world fertilize
pool. Sweden drily observed that if all the West could give 0·7 per cent
of its GNP as Overseas Development Assistance by 1975 (as set out in
the Second Development Decade strategy), this would generate the
$8,000 m. needed by the hardest hit.

On a more general level, Japan, the Federal Republic of Germany,
France, and the United States proposed groups of wise men, experts,
eminent persons, and economic observatories to study the situation,
while all showed great hopes of the Charter of Economic Rights and
Duties of States, due to be finalized in Mexico in June. France suggested
priority action to organize the markets for cereals and hydrocarbons,
Japan urged contributions to the UN's revolving fund for Natural
Resources, Italy suggested a ten-year emergency assistance plan to
channel productive capacities of industrial countries into development,
and the Netherlands a world plan for natural resources utilization. Mr
Kissinger pledged the US to a major effort in support of development
and called for a new dialogue between energy producers and consumers,
warning the Third World against aggressive raw materials cartels.

Eastern Europe countries made no concrete proposals at all, merely
reiterating oft-heard views on capitalism and colonialism and on the
economic benefits of detente and disarmament.

While 105 speakers, including six heads of state, addressed the plenary,
an ad hoc committee, chaired by Iran, initiated negotiations on the
group '77' drafts for the declaration and the programme of action,

together with the Iranian fund proposal and Algerian suggestions for emergency aid to the 'hardest hit'. But negotiations, mainly between a small number of 'group spokesmen' representing the '77', the West, Eastern Europe, and China, soon bogged down. On the declaration, a major West-'77' confrontation developed over the latter's ideas on producers' associations, nationalization (with compensation fixed by domestic instead of international law), the linking of import and export prices, and restitution for damages suffered under colonial occupation. The US made clear that she would not discuss the action programme until the text of the declaration had been argeed, and informed the rest of the West that she was working on a broad proposal which would meet the requirements of the '77' for both emergency and longer-term action. When the '77' fell out amongst themselves over the action programme, the West became convinced that it would be remitted to some other session. But following vigorous prodding from Algeria's Foreign Minister, Mr Bouteflika, the '77' produced a final version on 26 April, and made clear that they expected the session to approve the declaration, the long-term action programme, and special emergency measures for the 'hardest hit'. The United States proposal was also ready on 26 April, but was held up by State Department red tape and a veto from Mr Shultz. It was finally approved by Mr Kissinger from Algiers on 30 April, though Algeria and other non-aligned countries furiously denied the implication that it had Boumedienne's blessing.

Meanwhile, other Western European countries had been taking an active part in negotiating the action programme and special emergency relief measures. The US plan turned out to be merely a counter-draft to the special emergency measures for the 'hardest hit' which had previously been agreed by group spokesmen, and in no way covered any of the ground dealt with by the action programme. Its price tag to the '77' was high: they must drastically modify the draft declaration's working on producers' associations, nationalization, and colonialism and completely drop the action programme. While the US hinted that she could make large amounts of food and cash available soon, her proposal merely stated that the special emergency programme should have 'a $4,000 m. target' (to be channelled through existing institutions and programmes). The group spokesmen's agreed emergency measures in contrast provided for a seven-year programme, a special UN fund supported by industrialized 'and other potential contributors' to start in January 1975, together with a mid-June deadline for announcement of emergency assistance through existing bilateral and multilateral contributions. The text also gave a broad mandate to an ad hoc UN committee to administer and monitor the programme.

In an unprecedented act of defiance, the '77' rejected the US proposal without discussion, on the ground that it had been presented too late.

Other Western countries privately deplored the US move as both 'misguided' and 'mistimed'. In the final trade-off, the '77' agreed to tone down several of the provisions of the declaration and action programme (though not as far as desired by the West) even though they had previously conceded that each of the programme's ten sections be prefaced by the phrase 'all efforts should be made' (*il faudrait*), thus giving it a non-mandatory character. The West agreed that the special emergency measures should be integrated into the programme (instead of separated). But fearing last minute resistance from the US, and perhaps others, the '77' tabled their own original drafts alongside the 'concensus' texts. The ad hoc committee chairman warned that if there was any opposition to his transmitting the latter to the plenary without a vote, the '77' would demand a vote on their own texts. This drew complaints from the US, UK, and South Africa, but in the face of overwhelming support from the rest of the West for the chairman's proposal, the consensus texts were adopted without a vote.

However, the US delegate was under instructions to call for a vote in the final plenary, and vote against. Other Western countries (most of which would have abstained) and the US United Nations mission managed to persuade the State Department that this would be politically disastrous. After an unsuccessful request to delay the end of the session by a day, the US Ambassador obtained new orders; instead of calling for a vote, he made an angry speech denying that consensus had been achieved and accusing the '77' of steamroller tactics. But other Western countries warmly welcomed the 'consensus', even though they entered numerous reservations to parts of the final texts. China ridiculed the Soviet bloc for its unsuccessful insistence on the economic benefits of disarmament and detente and on fair trade treatment (for them)—a painful reminder of their signal lack of success in the spokesmen's negotiations.

Both super-powers emerged discredited, isolated from the more constructive approach of the remaining developed countries in striving for agreement. The EEC announced on 2 May that it would make a 'substantial contribution' to the emergency measures (rumoured to be $500 m. in 1974)—provided other nations joined them.

The first test of the success of the session comes on 15 June, the deadline for announcements of emergency measures. In the longer run, the review of the Programme of Action at each General Assembly, together with the Third World's obvious determination to use nationalizations and the raw material weapon to force dialogue and concessions, will generate mounting pressure for a new North–South deal. The session itself may not have achieved much of substance but, in the words of the UK delegate, 'things will never be the same again'.

VANYA WALKER-LEIGH

The French presidential election

BYRON CRIDDLE

The inconclusive outcome of the contest has reinforced doubts about the strength, homogeneity, and prospects of the electoral alliances of both the Right and the Left.

IN the recent presidential elections, held on 5 and 19 May, recurrent themes in French electoral politics could be identified. Firstly, the bipolarization of political forces into Gaullist-conservative Right and Socialist-Communist Left has, because of the important Communist presence in the latter coalition, made ideologically problematic the alternation of either pole in power *à l'anglaise*. Secondly, the existence of two interdependent loci of power (Presidency and Parliament) makes it important for both to be occupied only by politicians of the same coalition if constitutional deadlock is to be prevented. It is not difficult to understand why such arguments have been used by the Gaullists at every election during the last ten years to ensure victory less by a debate on the relative merits of men and measures than by the threat of constitutional paralysis and of social upheaval: less a change of government, more a change of society. The 1974 presidential election did, however, provide a major new ingredient: the collapse of unity within the Gaullist-conservative coalition, that part of the bipolar system which had for sixteen years been the bedrock of the Republic's institutional and political stability.

For some years the centre of gravity in the governing coalition had been shifting from its *dirigiste* Gaullist wing to its laissez-faire conservative wing. This movement owed much to electoral necessity. Domination by the Gaullist UDR was artificially strong from the 1968 electoral landslide onwards, and the 1973 General Election saw a return to reality, with the UDR losing its overall parliamentary majority. To win that election President Pompidou had to do a deal with the opposition centrist leader, M. Lecanuet, having already (in 1969) taken three opposition centrists into the Government and reinstalled in the Finance Ministry the leader of the Republican Independents (RI), M. Valéry Giscard d'Estaing. So it was that by March 1973 one-third of the Cabinet was composed of non-Gaullist politicians (as indeed was the same proportion of the parlia-

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mentary majority), at the expense of UDR leaders like M. Debré and M. Chaban-Delmas who had both in their turn been sacked by President Pompidou. The declining influence of the Gaullists had also been reflected in the difficulties faced by a diverse coalition seeking to please its irreconcilable constituent parts: big as well as small business, professional as well as manual workers. Devising a policy to assist industrialization with the minimum of social discord, Chaban-Delmas, as Prime Minister from 1969 to 1972, introduced his 'new society' programme founded on 'third way', 'social' Gaullism; this was designed to cushion the impact of industrialization on the industrial workers, an emphasis favoured neither by the Finance Minister nor the President, who for part personal and part political reasons dismissed Chaban-Delmas in July 1972. The policy of the new Messmer Government was to reassure the more conservative sections of the coalition threatened by change—the small producers and retailers, who were offered concessions to gain their support in the 1973 election and a bill after it to help them resist competition from large-scale enterprises. A third element in the situation relates to party structures. There exists in the UDR no recognized means of succeeding to the leadership of the majority, i.e. the Presidency of the Republic. This is because of the peculiar role fulfilled by the Gaullist party which has been merely to support presidential leadership but not to select it. As a consequence there exists no machinery for the reconciling of conflicting ambitions. Potential leaders have to indulge in a process of self-affirmation; and it was on this basis that Pompidou proposed himself for the Presidency in 1969 and Chaban in 1974,[1] though in the latter case four other candidates with Gaullist credentials also put themselves forward, with resulting disorder.[2] A further complication was that if the UDR had no formal procedure for arbitration in leadership selection, the majority as a whole—a very loose confederation indeed—had absolutely no means of arbitrating between the claims of Gaullists on the one hand and the RI leader, Giscard, on the other.[3]

[1] Objections to the Gaullists' pre-democratic procedures were voiced by Pierre Lelong, Gaullist centrist deputy: 'To say the candidate must designate himself as by an operation of the Holy Spirit, is not to be taken seriously. There must be a recognized selection procedure.' *Le Monde*, 19 April 1974.

[2] Edgar Faure (President of the National Assembly; later withdrew); Pierre Messmer (Prime Minister; later withdrew after Chaban-Delmas refused to stand down); Edmond Michelet (independent deputy; former minister under de Gaulle); Jean Royer (resigned as minister to stand for the Presidency; independent Gaullist). Only Royer remained in the field to the end.

[3] Chaban was endorsed by the UDR; he also had the official backing of the CDP, the smallest of the three government coalition parties, though most of the 30 deputies of the party backed Giscard. Giscard was backed by his own party and by two of the constituent groupings of the *Mouvement réformateur* (whose 13 per cent of the vote and 34 seats in the Assembly comprise the remains of the centrist opposition). The pro-Giscard group included Lecanuet's *Centre démocrate* (with which the Giscardians had been cultivating close links for some time) and Durafour's *Centre républicain*. Servan Schreiber's Radicals kept out of the election com-

Pompidou's incapacity to resolve the problem meant that the rival factions were left to fight it out after his death. The closest ministerial associates of the late President (Chirac, Taittinger, Germain), supporters of Giscard, confronted the *chabanistes* (the UDR's secretary-general Sanguinetti, Debré, Peyrefitte, Guichard). Pro-Giscardian UDR men like the Prime Minister, M. Messmer, were cross-pressured; in his particular case he dealt with the difficulty by promising to do his 'Gaullist duty' and yet maintaining a deafening silence until the first ballot was over.[4]

Dislocation on the Right contrasted with unity on the Left: as Lucien Neuwirth, a Gaullist deputy, ironically put it, 'It's Mitterrand or chaos.' Ten years of close electoral collaboration had brought the Communist and Socialist parties two creditable general election results in 1967 and 1973 and the signing of a common programme of government in June 1972. The unions, the Communist-dominated CGT and the independent Socialist CFDT, were more at one than ever in their history and even the radical left PSU, though not a signatory to the common programme, backed M. Mitterrand's candidacy. No other possible candidate existed: the Communist Party (PC) certainly had no one who would have been able to outdistance Mitterrand and thus preserve its claim to be the largest party of the Left. Committed to 'entrism' (the parliamentary path to power), the Communists were obliged to accept Mitterrand's condition that he would not campaign on the basis of the controversial common programme and that each of the parties of the Left would campaign independently for the Socialist leader.

The first round

The IFOP and SOFRES opinion polls soon made clear what the first ballot was essentially to be about. Before the formal opening of the campaign on 19 April, the average poll rating for Mitterrand was established at 41 per cent, that for Giscard d'Estaing at 27 per cent and Chaban-Delmas 25 per cent. Discounting the possibility that Mitterrand would clear the 50 per cent hurdle to win at the first ballot, the campaign appeared as no more than a primary election for the Government, or, as *L'Express* put it, 'the semi-final'. The cartoonist Wiaz in *Le Nouvel Observateur* saw it as a race between two men carrying coffins, one labelled 'de Gaulle' and the other 'Pompidou', with a road-narrows sign looming in the distance.

pletely, and only endorsed Giscard on the eve of the decisive ballot. The fourth group, MDSF (Social Democrats) supported one of their deputies, Muller, as a *réformateur* candidate. He received 0·7 per cent and supported Giscard at the second ballot.

[4] Raymond Aron likened the convulsions within the governing coalition to the 'turpitudes of previous republics', comparing Chirac's petitioning on Messmer's behalf to the activity that went into electing President Coty in 1954. *Le Figaro*, 17 April 1974.

There were two main areas of debate in the Chaban–Giscard primary: one involving rival claims of political inheritance and the other ideological geography. The question of inheritance was stressed by Chaban-Delmas who saw himself as the heir both to de Gaulle and Pompidou, a claim which was not assisted by the fact that he had never been offered a job by the former and had been sacked by the latter. Whilst he might speak of 'taking up the torch' of Gaullist legitimacy (and, to that end, of having been at the Gare Montparnasse at 4 o'clock on 24 August 1944 in the company of General Leclerc and Marshal Juin), it remained true that his ministerial record was as Pompidou's Prime Minister. As such he was a man thoroughly implicated in the 'opening' of the majority to non-Gaullist politicians of the centre, and to the watering down of the traditional Gaullist foreign policy of 'national independence'; and his references to a revival of his 'new society' project, stressing Gaullism's social face, would have been more convincing without the presence in his electoral entourage of Michel Debré, who as Minister of Finance in 1967 had blocked the celebrated Vallon amendment on profit-sharing. In truth Chaban-Delmas was a Gaullist pragmatist, pretending, like the General, to an orthodoxy to which de Gaulle himself was only vaguely committed.

Giscard d'Estaing's advantages over Chaban-Delmas were plentiful. Unlike Chaban, as he pointed out, he was a politician purely of the *cinquiéme*. He had served long under de Gaulle and had been the only man to remain in the same high office throughout the Pompidou Presidency. He was identified furthermore with economic growth and affluence unparallelled (if maldistributed), with annual growth rates of over 5 per cent until late 1973. If he was vulnerable, it was to the charge that his conversion to the extensive social policy proposals specified in the campaign had come late in the day for a man who had been in office almost continuously since 1958. Conversely, Chaban-Delmas was objectively on firmer ground in projecting himself as the social reformer anxious to take up where he had been so rudely interrupted by the conservatives in 1972.

The debate on ideological geography hinged on which of the two candidates occupied the 'centre'. In October 1972 Giscard d'Estaing had pronounced that 'France wishes to be governed from the centre'; it was a central theme of his campaign to offer the country change by extending the existing governing majority to include the electorates and leaders of what remained of the centrist opposition: the *Mouvement réformateur*. The centre's self-perception of being in the middle is not shared by many political analysts who stress that its leaders are frequently from the upper middle class (Lecanuet, Stehlin, Médecin, Abelin) and represent an essentially conservative electorate. Ideologically, centrist politicians have often been more avowedly pro-American and anti-Soviet (General Stehlin is a case in point) than Gaullists can stand. Indeed, it was Chaban's hope that the electorate would recognize the real nature of the

so-called centre: that they represented the classic conservative Right, and were indistinguishable from the man (Giscard) who was seeking to resurrect the political Right and thus divide the country into two hostile camps, which Gaullism's 'third way' sought to avoid. But while Chaban wrote off the 'centre' in this way, the electorates of three towns with centrist deputies all put Chaban to the right of Giscard in the political spectrum.[5]

Despite his attention to high Gaullist principle, Chaban's approach was essentially pragmatic. It was to stress that only he, with his appeal to working-class voters could hope to beat Mitterrand on the decisive second ballot.[6] But the bottom was knocked out of his campaign when on 25 April both leading polls forecast that Giscard could beatMitterrand by 4 per cent (SOFRES) and 6 per cent (IFOP) respectively, whereas Chaban at best could only hope to draw.[7] After these damaging assessments, the gap in the first ballot preference on the polls between the two candidates of the governing coalition widened dramatically to 13 per cent (Giscard 31 per cent; Chaban 18 per cent), and stayed like that till polling day. Chaban played out the last few days by warning the voters of the dangers of, as he represented it, a Right–Left division of the country based on irreconcilable class camps, and by obtaining what he had hoped would be a valuable endorsement from the Pompidolian Minister, M. Jobert.

What the electorate made of the Chaban-Giscard conflict (the personal invective came only from Chaban's direction) may partly be deduced from the results of the first ballot.[8] 90 per cent of the votes cast in the 1973 general election for the government coalition and the *réformateurs* were cast for Giscard and Chaban, and in the ratio of roughly 2:1. This pattern was consistent across the country, except in the south-west, where the ratio was nearer 1:1. In that part of the country Gaullist success is explicable only in terms of the candidates' local connections, since the south-west has never been a good area for the UDR.

The social composition of Chaban's electorate[9] shows the 2:1 ratio repeated in most categories (farmers, managers, etc.), except for the disproportionately high ratio of 6:5 amongst manual workers, substantiating his claim to an appeal as a 'social' Gaullist, especially in the industrial areas of the north. None the less, Giscard, 'the candidate of the tradi-

[5] Survey carried out in Rouen, Nancy, and St Etienne; see *Le Nouvel Observateur*, 20 April 1974.

[6] The belief that only Gaullism could save France from Communism was reflected in Alain Peyrefitte's statement: 'There is no majority in France for the Right.' *Le Monde*, 23 April 1974.

[7] These findings confirmed those of a poll commissioned by the Ministry of the Interior and leaked, probably by order of the Minister, Chirac.

[8] Mitterrand 43·4 per cent; Giscard 32·8 per cent; Chaban 14·8 per cent; Royer 3·2 per cent; Laguiller 2·3 per cent; others 3·5 per cent.

[9] Based on SOFRES surveys in *Le Figaro*, 2 May 1974.

tional Right', took more than half of the Gaullist working-class vote a: the lion's share of the available votes in the eastern and western parts the country, identified as Gaullist bastions. It is clear that many Gaullis perhaps pushed by the polls, opted for Giscard as the man most likely beat Mitterrand. Other reasons for Chaban's rout could include h indecent haste in launching his candidacy (even before the fune orations for the departed President had been completed), his rather pas entourage of Debré and Sanguinetti, and the past problems of his priva life. Finally, there was a sense in which Chaban, vaulting up flights steps at the age of fifty-nine (though less during the campaign), lack weight and dignity and was not, in short, presidential timber.

The second ballot

According to presidential electoral law, the second ballot contest w between the two candidates leading in the first ballot. The major pr occupation for the Gaullists now was the old one of *barrer la route*, a in conceding defeat Chaban had emphasized the need to beat Mitterran The scars were not, however, easily healed. Whilst only four or fi Cabinet ministers had really strongly identified with either candida most of the others were held by *chabanistes* not to have done their du especially Messmer, who was subjected to rough criticism at a par meeting after the first ballot. It was, however, clear that the Gaullis minds could be concentrated wonderfully by a reversion to the famili tactics of fifth republican decisive ballots, in which any debate on riv policy options becomes heavily overlaid by the threat of social disord should the Left take power.

Giscard in effect sought and, albeit marginally, obtained a docto mandate. His emphasis on change without adventure and rejuvenat leadership reflected preoccupations with style rather than policy. Tl only area where he allowed himself to be specific was in that of soci policy. Otherwise he tried, and by and large succeeded, to force Mitte rand into a defensive posture in two radio and one television debate particularly over his rather evasive attitude to the common programme the Left, whose nationalization proposals were frequently cited b Giscard as a short-cut to wrecking the French economy. Mitterra attempted a counter-attack on the Finance Minister's responsibilities f maldistributed wealth and rising prices, but Giscard's great ease and sk as a television politician made the task hard for him.

In effect, the debates on *alternance* and the Communist threat were tl fundamental issue. Giscard held that, given the institutional structure there could be no government of the Left even if Mitterrand won, sin no majority for the Left existed in Parliament. A victory for Mitterra would therefore entail a dissolution of Parliament, whereas one f Giscard would have the result of a government immediately and no mo

lections for some years. Giscard's assumption that his new widened najority consisting of the, in some cases, bitter opponents of the previous veek, would be ready and waiting for him in the National Assembly was out in doubt by Alain Peyrefitte who, two days before polling day, aunched the idea of the UDR voting support for a government presided over by Giscard but not participating in it—a proposal which evoked ineasy memories of the Fouth Republic.

On the question of the Communist threat, most of Giscard's cruder propaganda was left to his shadow, M. Poniatowski, who accused Marchais of being the leader of a party controlled from abroad. This came few days after the party had protested to the Soviet Ambassador for aying a visit to Giscard during the campaign. Mitterrand, worrying contantly about the moderate votes elsewhere, was embarrassed by the Communist bogey. He did make an attempt in his final confrontation with Giscard to compare France with Finland and Iceland, where Comnunist parties were in power; but the rejoinder that those Communist parties lacked the relative weight of the French party did seem to make he French case different. Objectively it was, however, possible to argue hat the Communists in coalition with the Socialists would have no chance of seizing power, given the European balance of power and the fact that any anti-democratic move on the PC's part would drive the Socialists into the arms of the Right. At all events the anti-Communist theme is well worn if its impact difficult to gauge. The unquestionably moderate posture adopted by the party's spokesmen (for instance, their ready acknowledgement that there could be no Communist prime minister and their claim to only a few, relatively low status ministries) served to reassure some people, especially the young who have little nterest in polemics about Communist coups in Eastern Europe in the ate 1940s. It may well be that the law of diminishing returns is coming o affect the ritual use of the Communist scarecrow.

The knife-edge result (a 1·6 per cent majority for Giscard)[10] reflected a stark polarization in socio-economic terms—the most noteworthy aspects being that, compared with de Gaulle's election in 1965, the Right now has substantially reduced support amongst industrial workers. In the past the possible harmful political effects of the disinclination of French governnents to accord legitimacy to oppositions has been muted by the parties ending to have socially mixed electorates. That is not true of the elecorates of Giscard and Mitterrand.

In considering whether this election can be seen as marking the final demise of Gaullism, it is necessary to distinguish between variants of Gaullism. As has often been pointed out, Gaullism as personal loyalty to he man died with him. Gaullism as a body of doctrine continues in some espects, and not in others. Pompidou, though a revisionist by instinct,

[10] Giscard 13,398,413 (50·8 per cent); Mitterrand 12,975,622 (49·2 per cent).

knew how to defend national independence vigilantly, and doubtless so it will be in the future. As for the social policies of Gaullism, these are presumably likely to continue—as they were largely for de Gaulle—as options to be taken up when the occasion demands. With regard to institutional aspects, judgement must be suspended until the Giscardian regime has revealed more of itself. But Gaullism as represented by the existence of a political party very probably has a future, although, deprived of presidential leadership, it will have to adapt its structures to a more conventional pattern. There are still over 180 UDR deputies, at least 100 of whom were reluctant to desert their party loyalty in this election; and Giscard, though owing his first ballot success in part to Lecanuet's centrist voters, owes his narrow second ballot victory to Gaullist votes.

The future of bipolarization could well be in question. On the face of it, the bipolarity is currently complete, a 50–50 stalemate, but the meaning and strength of the alliance now no longer raise doubts and suspicions solely on the leftward side of the equation. During the campaign both rival coalitions appeared only once on common platforms. At the Porte de Versailles in the final rally of Giscard's campaign, he assembled his new widened majority, with Lecanuet and Poniatowski cheek by jowl with Sanguinetti and Peyrefitte. But uncertainty about the stability of this new majority is justified given that it is bipolar within itself, possessing Gaullist and Giscardian poles. A further major question mark hangs over Giscard's intentions with regard to the electoral system. During the first ballot campaign he was promising Lecanuet a move in the direction of proportional representation. After the first ballot no more was heard of it and the UDR are unlikely to begin to countenance the idea now. If it happened it would probably transform politics and the party system and would open the door to the resurrection of the centre.

The future of the institutions generally, though not a campaign issue between Giscard and Mitterrand, is bound to involve change. The past assumption of prime-ministerial subordination to the President is no longer valid for a situation in which the two men belong to different parties. The nature of the UDR's commitment to Giscard will have great bearing on future relationships in this area. The only certainty at present is that, no matter how long it may take Giscard to constitute the modern conservative party he desires, the embittered *caciques* of the UDR have had enough of elections for the time being.

The Law of the Sea: issues at Caracas

J. E. S. FAWCETT

Controversy will centre on the separation of claims to the sea and its resources, exclusive but limited economic zones, and regional approaches to ocean management.

THE coming UN conference in Caracas on the Law of the Sea, to be held from 20 June to 28 August, is the third world conference in this field in the last two decades.[1] During this period new pressures have built up, and new claims have been made, over the uses of the sea and seabed, on a scale unprecedented since the seventeenth century. The fact that the law of the sea is universally seen as the framework of the conference shows that law has some part to play in the solutions and compromises that may be reached at it.

It is worth looking, then, at one broad notion that has been evolving over the last decade or so and is likely to be the most influential factor in the conference debates and confrontations. For brevity it may be called 'the claim to ocean space', and it is conveniently expressed in the *Montevideo Declaration on the Law of the Sea* (*May 1970*), which states that all nations have the right to claim as much of the sea and seabed near their coasts as they deem necessary to protect their actual and potential offshore wealth. This departs in two ways from the traditional base for the rights of a coastal state in its marginal sea. First, it adopts the general criterion of offshore wealth for establishment of rights in the marginal sea, in place of the various criteria so far recognized, such as defence and law enforcement, fisheries, navigation of merchant and war vessels, seabed exploitation, and conservation of resources. Each of these may bring a somewhat different area of sea under the exclusive or partial control of the coastal state: for example, the sea and seabed are conventionally separated so that the seabed is seen, in the words of the International Court of Justice, as a 'prolongation or continuation of territory over which the coastal state already has domination', while some coastal states have regarded their marginal sea, not as part of their territory, but as an area of jurisdiction for certain purposes only; again among the living resources, the demersal and sedentary species are seen as belonging to the seabed,[2] but free-swimming fish to the territorial or high seas. Secondly,

[1] On the last conference, see Joachim Joesten, 'The Second U.N. Conference on the Law of the Sea', *The World Today*, June 1960.

[2] Continental Shelf Convention, Article 2(4).

Mr Fawcett is President of the European Commission of Human Rights. This article appears simultaneously in German in *Europa-Archiv* (Bonn).

the notion of 'ocean space' tends to override commonly recognized limits, whether on the sea or seabed, so that 'ocean spaces' could vary greatly from country to country, though it may be assumed that it would still be possible for limits to be set on action by the coastal state for one or more of the particular purposes just mentioned, and for 'ocean space' itself to be delimited by agreement.

It must also be borne in mind that a number of countries have already purported to establish exclusive zones beyond territorial limits for fisheries, conservation and resources, or prevention of pollution: for example, the claim by Chile and Peru in 1947 to a 200-mile limit for exclusive fisheries, followed by Korea in 1954, and Ghana with a 100-mile limit in 1963. Sri Lanka (1957) and Pakistan (1966) have declared exclusive conservation zones up to 112 miles from shore baselines, and Canada and the USSR have declared zones in the Arctic to be kept pollution-free.

Linked Issues

If we look now at some of the proposals, put before the UN Committee on the Peaceful Uses of the Seabed and Ocean Floor, and others likely to be considered at the Law of the Sea Conference, we find certain closely linked objectives underlying claims to 'ocean space': preferential or exclusive uses by the coastal state of fisheries and other sea and seabed resources; the conservation of these resources; and the prevention of marine or coastal pollution.

The idea of an exclusive economic zone being accorded to coastal states adjacent to their territorial seas has already wide support among proposals put forward in July and August 1973.[3] Further, it is not wholly novel. The Fishing and Conservation of Living Resources of the High Seas Convention, adopted at the first Law of the Sea Conference in 1958 and in force since 1966, accords to a coastal state 'a special interest in the maintenance of the productivity of the living resources in any area of the high seas adjacent to its territorial sea'; and permits it to take 'unilateral measures of conservation' there in certain circumstances: Articles 6 and 7. The most extended claims are those of Brazil,[4] and Ecuador, Panama, and Peru in a joint proposal,[5] which would extend the territorial sea up to 200 miles, with sovereignty over sea and the airspace above, the seabed, and the subsoil. A slightly more limited approach, favoured by a number of other countries, is concisely expressed in the *OAU Declaration on the Issues of the Law of the Sea*,[6] stating that

> . . . the African States recognize the right of each coastal State to establish an exclusive economic zone beyond their territorial seas, whose limits shall not exceed 200 nautical miles from the baseline: §6

and that the coastal state

[3] Those quoted below are published in *International Legal Materials*, Vols. XI (1972) and XII (1973), their UN Document references being given here.
[4] A/AC 138/SCII/L.25. [5] *ibid.*, L.27. [6] A/AC 138/89.

. . . exercises permanent sovereignty over all the living and mineral resources,[7] and shall manage the zone without undue interference with the other legitimate uses of the sea, namely, freedom of navigation, overflight, and laying of cables and pipelines: §7

These principles are restated in a joint proposal by twelve African countries,[8] Madagascar, and Mauritius, and appear to be based on a set of detailed proposals by Kenya made in August 1972. A proposal by Afghanistan, Austria, Belgium, Bolivia, Nepal, and Singapore would give coastal states jurisdiction over a zone adjacent to the territorial sea and 'the right to explore and exploit all living and non-living resources therein'.[9] It is not easy to guess what common interest brought these six countries together, except perhaps that four are land-locked and sought some independent maritime support. China, in the first of two working-papers,[10] also accords an exclusive economic zone or, if it so chooses, an exclusive fishing zone to each coastal state beyond its territorial sea, with 'ownership' of all natural resources in the sea, seabed, and subsoil of the zone; but 'normal navigation and overflight for all States' is not to be prejudiced. Canada, India, Kenya, and Sri Lanka,[11] perhaps on a line of Commonwealth co-operation, recognize the concept of an exclusive economic zone,[12] and together recommend consideration of an exclusive fisheries zone as part of it, but they are careful to say that the detailed proposals they make are for discussion and do not necessarily embody their final views.

A Netherlands proposal[13] deserves particular attention because, while accepting an economic zone beyond the territorial sea, it not only brings in elements of international control of the uses of the zone by the coastal state but also tackles the problem of an equitable distribution of resources recovered in the zone. Under this regime there would be two 'intermediate zones', one for living resources and composed of a volume of sea beyond the territorial sea up to a defined outer limit, and the other for other resources and constituted by the seabed and subsoil up to 40 miles seaward of 'the outer limit of the continental shelf' but not beyond a maximum defined distance from shore baselines. However, not only would the licensing of all exploration and exploitation of resources in the intermediate zone be subject to regulation by a 'competent international authority', but this authority would also have the task of determining which states, presumably in a given region, were 'advantaged' or 'dis-

[7] Echoing UN General Assembly Resolution 1803—XVII (14 December 1962) on Permanent Sovereignty over National Resources.

[8] A/AC 138/SCII/L.40. Algeria and Tunisia but not Morocco, and Ghana but not Nigeria, are in this group.

[9] *ibid.*, L.39. [10] *ibid.*, L.34. [11] *ibid.*, L.38.

[12] The United Kingdom, in a paper on Rights and Duties of Archipelagic States (*ibid.*, L.44) also refers to 'Economic Zone' in association with the territorial sea and continental shelf, but places it in square brackets.

[13] *ibid.*, L.59.

advantaged' by the allocation of intermediate zones to them on the line described. It could then revise them through negotiations between state concerned 'to equalize possible gross disproportion among actual bene fits accruing to particular states'. 'Advantage' is then defined as 'th amount of surface by which the actual intermediate zone of that Stat exceeds . . . %' of its total land area; 'disadvantage' would be con versely the amount by which the actual intermediate zone surface fall short.[14] A rough comparison between Norway, Denmark, the Federa Republic of Germany, and the Netherlands, made by the present write on this basis, shows that the Netherlands has a 'disadvantage' of 50 pe cent and the Federal Republic of 83 per cent, while for Denmark he land area and the 'ocean space' yielded by her coastline are more or les in balance. Norway, however, has an 'advantage' of 20 per cent.

Finally, the Netherlands proposal adopts an idea already much can vassed that 'any State which derives revenue from exploitation of th intermediate zone shall make available . . . % of these revenues to th competent international authority', which may be global or regional.

It is also to be noted that some countries suggest a regional approach t the establishment of 'ocean space'. Thus Uganda and Zambia, in a joir proposal,[15] suggest that there should be regional or subregional 'econo mic zones' established, in which the fisheries would be exclusively re served to each coastal state in the part of the zone appurtenant to it, bu that the exploration and exploitation of 'non-living resources' should b in the hands of regional and subregional authorities. The importance c regional sharing of resources is also recognized in the OAU Declaratior and the proposal of Ecuador, Panama, and Peru, referred to above.

The conservation of resources and the prevention of marine pollutio are mentioned rather incidentally in some of the proposals just reviewed but it is plain that they play a critical part in the demand for the establish ment of exclusive economic zones beyond the territorial sea. Indeed, fo some of the countries it is the impact of foreign industrialized fishing o stocks in their neighbouring seas that is their main concern. Example are the position taken by Iceland, particularly on the reduction of herrin stocks, in her dispute with the United Kingdom, and the withdrawal b Senegal in 1971 from the Territorial Sea Convention[16] and the Fishin and Conservation of Living Resources of the High Seas Convention Senegal gave as grounds for her withdrawal the excessive exploitation o living resources in the high seas near her coast, and the inadequacy of con

[14] The determination would be made in the following way: the land area woul be reduced to a circular area, around which a notional territorial sea and inter mediate zone would be placed concentrically; the total area of these two notiona zones would then be compared with the actual territorial sea and intermediat zones yielded by the coastline of the state concerned.

[15] A/AC 138/SC II/L.41.

[16] Adopted at the UN Law of the Sea Conference (1958) and in force since 1964

servation measures and of the protection of the special rights and interests of coastal states. She has therefore established an exclusive fishing zone, outside her territorial sea and extending to 110 nautical miles from baselines.

But none of the proposals recommend or consider measures to be taken by a coastal state to reduce and prevent marine pollution in its exclusive economic zone. The search or arrest of foreign merchant vessels on the high seas is still essentially confined to those engaged in piracy or the slave-trade, and it is time that the right of search and arrest be extended, with proper controls, to those causing pollution by discharge of oils or dumping of harmful wastes on the high seas. It is idle to talk the language of environmental catastrophe and still tolerate the timid respect which governments show for the authority of the flag state.

Emerging patterns

This brief survey shows some emerging patterns. There appears to be broad agreement that the sea and its resources should be handled separately. In other words, the establishment of exclusive economic zones on the high seas is intended to accord and protect exclusive rights in the offshore resources of coastal states, but not to interfere with or reduce other customary and legitimate uses of the high seas. As already remarked, the proposals of some Latin American countries go somewhat beyond this, but the principle is really an extension of that already applied to the continental shelf where the 'sovereign rights' of the coastal state over the seabed and subsoil of its shelf are somewhat qualified in that they can be exercised 'for the purpose of exploring it and exploiting its natural resources'.[17] In short, it is entitlement not to the sea and seabed as such, but to their resources, that is in issue. There appears also to be agreement that spatial limits must be set to any exclusive economic zone established, and certain proposals recommend 200 miles. Apart from the fact that there are regions like the Mediterranean, Baltic, or Caribbean, where limits of 200 miles would have to be reduced by agreement between neighbouring countries, it may be that so great a limit will be strongly opposed and, if insisted upon, will defeat an attempt to obtain general acceptance of exclusive economic zones. It is possible, however, that, as the proposal of the group of African countries appears to suggest, the extent of zones would be determined by objective criteria: so Article III would fix limits 'in accordance with criteria in each region, which take into consideration the resources of the region and the rights and interests of developing land-locked, near land-locked, shelf-locked[18] States, and States with narrow shelves'. This emphasizes the close connection between an ex-

[17] Continental Shelf Convention, Article 2(1).

[18] *sc.* having a deep trench or trough between their coastline and the continental shelf; for example, Norway on her western coast.

clusive economic zone and the extent and character of the continental shelf within the zone. Here proposals by the United States and the USSR come in. The USSR recommends that the outer limit to continental-shelf or seabed rights be the 500-metre isobath or 100 nautical miles from coastal baselines, whichever is the further. The United States also supports the definition of this limit but makes no recommendation as to its precise distance fromt he coast.[19]

Among the issues, on which there are likely to be marked divisions of opinion in the debate on exclusive economic zones, are: the denial of the right for certain territories; the preference for a regional approach; and the distribution of the benefits obtained from such zone resources.

The proposal by Canada, India, Kenya, and Sri Lanka contains the provision that: 'No state exercising foreign domination or control over a territory shall be entitled to establish an exclusive fishing zone or to any other right or privilege referred to in these Articles with respect to such territory' (Article 7). While this proposal is covered by the reservation that it does not necessarily express final views, a similar recommendation is made by the group of African countries in respect of exclusive economic zones. As drafted, the Commonwealth proposal is directed to constitutionally dependent territories; but the African proposal is wider[20] and could, if adopted, be invoked to prevent or restrict foreign investment in the offshore resources of a country by a dominant partner, and it reflects again the principles expressed in the UN General Assembly resolution already mentioned. The political bees in this particular hamper are obvious, and it will be interesting to see how far the proposal is pressed.

A more organic problem is whether, if the notion of exclusive economic zones obtains wide adoption, a regional approach will be preferred. There are perhaps three possible solutions: that each coastal state is left free to declare and determine the extent of its exclusive economic zone on the high seas, subject only to certain principles, such as an outside limit in nautical miles and continued freedom of navigation for shipping and for overflight for aircraft, laid down in a general convention; or that the definition, characteristics, and use of exclusive zones be settled by regional agreements between the coastal states directly concerned and possibly also their land-locked neighbours; or that the establishment and management of such zones be subject to control by a global authority, such as a UN agency.

The first solution would be in general workable off the coasts of Latin America and Africa, but not in the numerous areas where there is not only competition for the ample resources both in the sea and seabed but where the seas are relatively enclosed by a number of countries, so that geography imposes limitations and the need for agreement. The third solution, perhaps the most ambitious, has similarities with the proposal that

[19] A/AC 138/SC II/L.26 and L.35. [20] *OAU Declaration*, p. 10.

the deep seabed, beyond the continental rise or outer limit of the continental shelf, be subject to an international regime and managed by a UN agency. An element in this regime would be the imposition of a kind of international tax on all revenues obtained by a state from the exploitation of seabed and subsoil resources, whether directly by sales of oil, gas, or minerals obtained or indirectly through the grant of leases or licences. The tax would be paid to the UN and could be devoted to financing its activities. Payment of a percentage of revenues, obtained from an exclusive economic zone, to the competent international authority is also suggested in the Netherlands proposal described above. It is doubtful whether the territorial imperative will allow countries to lose hold of political resources in this way, and let them go into a common pool, at least in the open 'ocean spaces'. The second solution, by regional arrangements, is thus perhaps likely to get wider support among some groups of countries in the conference than the other two. In fact, certain maritime areas are already in effect regional economic zones, constituted by agreements between the neighbouring countries. The North Sea and its adjacent waters to the north and west are covered by a network of agreements, covering fisheries, seabed resources, and maritime and coastal pollution. The seabed of the North Sea itself, being part of the continental shelf of north-western Europe, has been divided up by a series of agreements between Norway, Denmark, the Federal Republic of Germany, the Netherlands, and the United Kingdom. Belgium, it appears, has not claimed any apportionment. Further, some of the proposals based essentially on the first solution, leaving to each coastal state the determination of its exclusive economic zone, recognize the need for some forms of sharing neighbouring economic zones.[21]

An additional complication, not taken up in the earlier Law of the Sea Conference, will be the position of archipelagos, and the extent and character of the economic zones they may claim or establish. Fiji, Indonesia, Mauritius, and the Philippines have jointly tabled a set of principles.[22] An 'archipelagic State' is one 'whose component islands and other natural features form an intrinsic geographical, economic, and political entity'; it may draw baselines around the outermost points of the component islands from which other maritime limits are measured; all waters, seabed, and subsoil, and their resources within the baselines are 'subject to the sovereignty of the archipelagic State'. Mauritius, for example, is prepared to claim two small groups of islands to the northward, one about 250 miles distant and the other—the Agalegas group—separated by as much as 600 miles, as forming an archipelago with Mauritius.

It would be idle to try to predict the outcome of the Law of the Sea

[21] e.g. *ibid.*, p. 9; Ecuador, Panama, Peru, Article 13.

[22] A/AC 138/SCII/L.15. They are close to those adopted by Indonesia in legislation on her maritime limits.

Conference on any of the major issues to which it will address itself. Deadlock on some is probable, and, where solutions are found and agreed, significant abstentions are likely. What is certain is that the uses of the sea and seabed, and their limits and means of regulation, will have a very different pattern around the world in 1975 from that prevailing in 1945.

South Africa: authoritarian reform?

MERLE LIPTON

'Gone are the days when we blacks were regarded as inanimate objects, who were better seen than heard.'

Chief Buthelezi, *Rand Daily Mail*, 15 October 1973.

MANY observers interpret the South African election result as a prescription for 'the mixture as before', with a dull campaign and bigger majority for the Nationalist Party (NP) meaning—despite the surprise election of half-a-dozen Progressives—the same 'no change' apartheid policies.[1] But such a view ignores significant features of the campaign, as well as some deeper underlying changes in South African society and in the Government's policy. In order to support this different interpretation, it is necessary first to define what is meant by 'change' in South Africa, for it is largely due to confusion over this that these new trends have been missed.

To diagnose change does not imply either that its degree or pace is satisfactory, or that once under way it will be irreversible. For the purposes of this article it is suggested that significant 'change' equals those policies or developments which result in (*a*) a shift of resources to blacks, (*b*) an increase in black political/economic bargaining power, and (*c*) desirable changes in the attitudes/norms of whites towards blacks and hence in the status of blacks.[2] Moreover, 'change' can take place at different levels or dimensions: first, at the socio-economic level; second, in the racial patterning of society (it is the legalized and institutionalized racial pattern that is the distinctive feature of South African society); and third, in the sharing of political power and the exercise of authoritarian controls. In South Africa today many changes are taking place at the socio-economic level and some (though less) in the racial stratification; and these are leading to more resources and greater bargaining power for blacks, and to some changing attitudes.[3] They are not, however, accompanied by

[1] See *Financial Times*, 26 April 1974. The results of the elections, held on 24 April 1974, were as follows (1970 results in brackets): Nationalist Party 122 (118); United Party 41 (47); Progressive Party 6 (1). The two by-elections still due will bring the total of seats to 171 (166).

[2] This article is primarily concerned with Africans (70 per cent of population), but the trends described are even further advanced in the case of coloureds and Indians (12 per cent).

[3] This is a brief, over-simplified version of the argument being documented and developed in my current study for Chatham House.

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a relaxation of the authoritarian controls. Indeed, the changes at th socio-economic and racial levels are sometimes accompanied by th tightening of controls. These diverse trends may even be linked—lik driving a heavy lorry downhill with the brakes on. Equally, the failure t progress at the third level could impose severe limits on the extent o change. But the lack of progress here should not obscure the fact that despite continuing poverty and severe discrimination, some importan changes are taking place. These stem primarily from structural change i the South African economy, particularly the increasing demand fo skilled, stable, motivated workers, and a larger internal market. Thi development has in turn led to pressures from powerful groups of white for reforms which, while they do not spell the automatic 'witherin away' of apartheid (social change seldom occurs that way), neverthele do have important and far-reaching consequences—both intended an unintended.

Economic change

The most marked and significant area in which change is occurring is i manufacturing industry, now the leading contributor to GDP. It is ofte argued that the advance of blacks into better jobs in industry is takin place in the form of a ratchet: blacks advance under whites into job vacated by them and the structure of apartheid—all whites on top, al blacks below—remains intact. It is argued furthermore that blacks do no gain from this process, as the profits from expansion and more efficien organization are divided between white employers and workers: th system thus becomes more exploitative.[4]

But the advance of blacks is not just in the form of a ratchet. Increasin numbers of them in many branches of industry—both state and private large and small, and especially in new industries and/or those using nev technologies—are doing the same job as whites, even though this may b done on different shop floors of the same factory, in different factories, o in different areas. Moreover, many of these blacks (mechanics, compute operators, technicians, draughtsmen) are doing superior jobs to som whites (semi-skilled operators, lorry-drivers, telephonists, clerks). Th ratchet—whose importance has rightly been emphasized—is breaking This fact is recognized by the white trade unions (both English an Afrikaans, white and coloured, craft and industrial) which are arguin about whether their interests would best be served by unionizing thos blacks doing, or being trained to do, the same jobs as their members. Th

[4] See Ruth First, Jonathan Steele, and Christabel Gurney, *The South Africa Connection* (London: Temple Smith, 1972); F. A. Johnstone, 'White Prosperit and White Supremacy in South Africa Today', *African Affairs*, Vol. 69 (1970) S. Gervasi, 'Industrialisation, foreign capital and forced labour in South Africa and B. Rogers, 'The Standard of Living of Africans in South Africa', both fron *UN Unit on Apartheid* (1970); and many others.

fact that blacks are paid less makes whites fear undercutting and displacement and many unions, including the ultra-conservative Building Workers Union, now favour the 'rate for the job'. The reality of black advance is also recognized by employers who are seriously considering how to manage relations and improve communications with their increasingly differentiated and valuable (because more skilled and expensive) black labour force, whose contentment, motivation, stability, and living conditions they are worried about. Nor is it true, as is widely claimed, that black wages fell in real terms over the last decade and a half. During the 1960s real black wages in manufacturing, construction, and commerce rose by 30 per cent, and even in the backward, low-wage agricultural sector they increased in the eight years between the 1961/2 and 1968/9 Agricultural Censuses by 19 per cent.[5] The Durban strikes in January 1973, and the subsequent press campaign in South Africa and in some British newspapers led by *The Guardian*, accelerated this rise: black wages are now rising faster than white so that the high ratio of white to black wages is narrowing. We can argue about the effects and extent of these changes, but we cannot deny that they are taking place and have implications for the relations of black and white on the job, for access to training and education, for wages and bargaining power, and that they raise problems for such traditional apartheid practices as the migrant labour system and influx control.

After much vacillation the Government is accepting some of these implications, particularly in the fields of job advance and wages. Initially blacks could move into skilled jobs only by stealth and by (very costly) deals with white and coloured trade unions, while the Government turned a blind eye. But Mr Vorster is now openly urging white workers to accept and assist this process.[6] He is furthermore backing this up with an ambitious crash programme of education and training for blacks as mechanics, computer operators, laboratory technicians, electricians, etc.[7] A tougher attitude is being adopted toward white unions, such as the AEU and the Building Workers, which will not co-operate and they are being short-circuited by the establishment of training schools for apprentices in the Bantustans. After the Durban strikes last year, Mr Vorster declared that the wage gap must be closed, and acknowledged that 'these events contain a lesson for all of us': black workers must be treated not 'as labour units, but as human beings with souls'.[8] Even before this the Government was urging employers, and itself attempting in the civil

[5] Merle Lipton, 'White Farming: a case-study of change in South Africa', *Journal of Commonwealth and Comparative Politics*, March 1974.

[6] For instance, in his speech to the Motor Industries Federation, 3 October 1973.

[7] *Memorandum on Training Programme* (Pretoria: Department of Bantu Education, 1973); and Press Statement by the Minister of Bantu Education and Development on 24 October 1973.

[8] *House of Assembly Debates*, 9 February, col. 346 ff.

service, to narrow the wage gap.[9] The significance of this can be fully grasped by recalling the traditional South African 'civilized labour' policy, whose aim was precisely to establish and perpetuate a wide wage gap, even for exactly the same job, on the grounds that whites had to maintain 'civilized' standards of living—a principle reiterated in Parliament in 1970 by the Minister of Planning, Mr Loots.[10] The Government invariably presents changes as being part of the 'natural evolution (or unfolding) of separate development', but this is a clear and explicit reversal of policy.

Social change

There has been much publicity for the changes in sports policy and in 'petty apartheid' (i.e. the removal of 'whites only' signs; the provision of facilities such as restaurants and cinemas for blacks in the 'white' areas where they work, the sharing of some public facilities—libraries, parks, and zoos). In making these changes the Government is faced both with the domestic audience, which is assured that what is happening is merely the 'natural evolution' of its old policy; and its critics abroad, who are happy to dismiss these developments as nothing but 'window-dressing'. While some of the changes have no doubt been window-dressing or gestures, others (job advance, the use of mixed facilities) have been deliberately concealed. It is only recently that Mr Vorster has begun to acknowledge publicly the need for 'orderly change'.[11] And even the 'gestures' have had some deeper longer-term effects. Dr Banda's 'multinational' (in fact multi-racial) banquet in 1971, mixed international sports events, contacts with visiting American negroes, and the removal of 'whites only' notices for the Pretoria 'Olympics' last year have set some new precedents. There is, for example, now more dialogue and social mixing with local blacks, and the Pretoria City Council has decided not to replace the 'whites only' notices but to keep the parks open to blacks, and to provide more central facilities for them. Although the Administrator, representing the Government, sanctioned this, a hostile campaign has been drummed up by some members of the United Party (UP) and the small right-wing HNP and the issue remains contentious. Nevertheless, the breaking of sacrosanct taboos has had a surprising measure of acceptance in Pretoria—the centre of government and heart of Afrikanerdom. Sport and 'petty apartheid' are obviously more peripheral areas than jobs and wages, but they are 'straws in the wind', indicative of changes in

[9] *Rand Daily Mail*, 12 June 1971 and *Sunday Times* (Johannesburg), 28 November 1971.

[10] *House of Assembly Debates*, 4 August 1970 col. 975. It was also the aim of the 'civilized labour' policy to reserve all the best and skilled jobs for whites, thus establishing the ratchet. On this see S. van der Horst, *Native Labour in South Africa* (London: Frank Cass, 1944).

[11] See his speech at Windhoek, *Rand Daily Mail*, 23 August 1973.

attitudes and norms. They were, in this instance, precipitated partly by outside pressure including boycotts, but their lasting effects could not have happened without the educative experience offered by the opportunity to engage in some mixed sport and social activities. Thus the apparently contradictory strategies of isolation and contact both contributed to this effect.

Political developments

Political power remains firmly in white hands. The Government continues to ban opponents—within the last two years, members of the Black Peoples Convention, the National Union of South African Students (white), the South African Students Organization (black and coloured), the South-West African Peoples Organization, and some trade unionists. And it has recently added two draconian laws, the Riotous Assemblies Amendment Act and the Affected Organizations Act, to its armoury of executive powers and controls. Those banned generally acted outside the 'separate development' institutions,[12] set up by the Government. But within this limited official framework, there have been some interesting developments, particularly in regard to, first, the evolution of policy on trade unions and, second, the use by blacks of the Bantustan institutions.

Trade unions for blacks? The growing importance, and hence greater bargaining power, of blacks in industry—which they brought to a virtual standstill in Durban in 1973—has caused concern amongst Government and employers about the inadequate channels of communication and methods of negotiation with black workers. Economic growth has thus confronted them with the key institutional and political question of black trade unions. The Government wants higher wages for blacks and during the strikes it deliberately distanced itself from the employers, the police intervening only when there were disturbances; but it fears the security and political implications of trade unions. It is therefore trying to achieve its goals of better wages and conditions by other expedients, such as (i) the representation of black workers on numerous plant-level 'works' and 'liaison' committees (the former wholly elected, the latter consisting of workers and management); (ii) by encouraging attention to personnel management: many firms are now appointing blacks as personnel officers; (iii) by using the Statutory Wage Board and Industrial Councils to push up black wages; (iv) by a more active and vigilant role for Labour Inspectors.

But it seems unlikely that these expedients will solve the problems of communication and negotiation with the huge and increasingly differ-

[12] These are discussed by the present author in two earlier articles: 'Independent Bantustans?', *International Affairs*, January 1972, and 'The South African Census and the Bantustan policy', *The World Today*, June 1972.

entiated work-force. The Government has, however, left its options open on the question of trade unions. While these are neither recognized (which hampers their operation) nor encouraged, they are not illegal. Trade unionists like Drake Koka and David Hemson, who are considered 'political', have been banned; but those who concentrate on *industrial* activity, such as the Garment Workers Union and the small but growing band of black unions associated with the Urban Training Unit, continue to lead a precarious existence, despite the hostility of some, though not all, employers. These and the 'works' committees, which could be useful in providing grass-roots activity and a direct factory-level link with management which many trade unions lack, are indications of a certain willingness to experiment. It is obviously of great importance whether, in this critical area of industrial relations, institutional changes can be made which will enable black workers and white employers to evolve workable methods of bargaining and negotiating.

In stressing the central importance of the negotiating process—the *way* wages are set rather than wage levels—the British Trade Union Congress came closer to grasping the significance of such structural change in South Africa than the House of Commons Select Committee. The latter's report,[13] though useful and well-documented, laid too much stress on wage-levels and poverty datum lines, which are arbitrary and changing (what is regarded as 'minimal' obviously varies enormously according to time, place, habits, and expectations). It is clearly more sensible to get increased bargaining powers for black workers so that they can settle these issues with management themselves, rather than have Westminster set wages for workers in South Africa without regard to the level of unemployment, the incentive towards labour-replacing mechanization, the high and growing black urban-rural wage gap, or the labour costs and profitability of different firms. Both black and white unions in South Africa greatly value their links with outside bodies such as the TUC and the International Metal Federation. But the black unions fear that the encouragement and assistance they have been receiving from these bodies may be cut off by the Affected Organisations Act of 1974. However, such action would strengthen the demand by the ILO and ICFTU for the severance of all links with South Africa. The maintenance of international links with the white unions, which the South Africans want, therefore affords some protection for the fledgling black unions.

'Separate' and national politics. Blacks have made growing and skilful use of their 'separate development' institutions. In the recent round of Bantustan elections, some of the original Executive Councils were over-

[13] 5th Report of Expenditure Committee, *Wages and Conditions of Africans employed by British firms in South Africa* (1974). See also report of the TUC Mission to South Africa (London: Transport House, 1973).

:hrown, and commoners are increasingly replacing chiefs as political eaders: moves are now afoot in at least three Bantustans to relegate :hiefs to an Upper House. This—like the change in education policy—is he reversal of a fundamental tenet of the original Verwoerd/Eiselen scheme in which traditional chiefs and mother-tongue education play ι central role. Bantustan leaders have become even more outspoken in protesting against the exclusion of blacks from equal access to jobs, esources, and power and in opposing the ethnic and racial basis of the policy.[14] Last year the Lebowa Assembly declared that discrimination on he grounds of race would be forbidden in Lebowa,[15] and took an interesting initiative on this matter, which impinged on 'white' or national politics. Whites in the Transvaal recently protested against the proposed compulsory purchase of their farms for incorporation in Lebowa (as part f the land consolidation scheme). The Lebowans suggested that, instead f displacing the farmers, the boundaries should simply be redrawn to ıcorporate them so that they could then become Lebowa citizens.[16] 'his, incidentally, was in line with Chief Buthelezi's federal scheme, in hich the black- and white-ruled states or provinces of a federal South frica would bargain about the rights of their respective 'citizens'— thnically defined—in each others' areas. While confused white Cabinet ıinisters responded with conflicting statements, some farmers welcomed ıe proposal, and this black initiative could have interesting consequences.

There have been other instances of supposedly tribal and separate lack politics impinging on national politics. The intervention of the wazula Government in labour disputes has been widely reported in the ress. Blacks have also played a prominent role in a wide-ranging public ebate on the future political structure of South Africa. The discussion as in fact partly a response to Chief Buthelezi's federation proposals. Ir Vorster, urged on by the Afrikaans press (whose tone towards Buthezi has become noticeably less hostile) replied to and argued against the uthelezi proposals both in and outside Parliament.[17] There is thus ıfficient common ground for a discussion and argument, as distinct om the mere assertion of incompatible policies, involving all the white olitical parties and some popular black (and coloured) leaders. This has ecome possible in the first place because of the increasing acknowledgeıent in Nationalist circles that 'separate development' cannot provide ıe answer to such fundamental problems as the urban blacks and the oloureds; and secondly because of an increasing willingness amongst

[14] There will be a fuller discussion of Bantustan developments in my forthcoming paper, 'Creating opportunities for black farmers'.

[15] *Rand Daily Mail*, 22 September 1973. [16] *ibid.*, 9 May 1973.

[17] Gatsha Buthelezi, Hoernlé Memorial Lecture to the Institute of Race Relations, Cape Town, 1974; Mr Vorster's interview in *Rapport* (Johannesburg), 27 January 1974, and *House of Assembly Debates*, 4 February 1974, col. 54 ff.

some opponents (black and white) of the policy to accept elements of as the basis for a solution along federal lines.

The Prime Minister's recent 'summit' meeting with all the Bantust leaders was further recognition of the fact that black political activi cannot be confined to separate and/or regional politics. At the meetin they agreed to investigate jointly the claim that blacks were not receivi a fair share of tax revenue, and to place on the agenda of the next meeti the question of the urban blacks and influx control.

Blacks now have a national platform: their complaints against tl system and demands for change receive wide publicity in both the Afı kaans and English, white and (fast-growing) black press. The levers power remain firmly in white hands; but there has been some devoluti and blacks now seem able to exercise some constraints, a brake, on polic However, unless blacks are able to exert more positive pressure as counter to white pressure, this is likely to impose severe limits on refor —even on the Government's own goals, such as a shift of income ar land to blacks.

The April 1974 elections

These examples of 'significant change' were given in order to make tl point that—whatever one's view of the nature, pace, and objectives change in South Africa—it has become inadequate and misleading talk of 'no change' policies, or a system moving steadily towards the Rig Against this background we can now look at the 1974 elections. The fir point to note is how much they differed from previous elections. Tl 1974 campaign was perhaps the first since Union in 1910 in which cri of *swart gevaar* (black danger) and *Kaffirboetie* (lover of blacks) did n figure prominently. On the contrary, politicians obviously felt the clima favoured contact, consultation, and the recognition that change, howev labelled, was necessary. Mr Vorster held his first summit with all tl Bantustan leaders during the campaign. The UP hierarchy, after censo ing Harry Schwarz for his 1973 Declaration of Faith—a commitment common ideals and a common society—with Buthelezi, hurried to sign similar declaration with the Lebowa leader, Cedric Phatudi. Rival canc dates and newspapers accused one another of being racists, who poison race relations and thereby endangered South Africa's future.

It has perhaps been forgotten that many of the changes discuss above were very much at issue in the 1970 elections, when the Nationalis fought a fierce campaign, ranging from violent meetings to actions in tl law courts, against the right-wing HNP, and there was constant specul tion that prominent Nationalists like Andries Treurnicht, now head of tl *Broederbond*, and even Connie Mulder, Minister of Information and the Interior, might defect to it. Many of the contentious issues—mix sport, black job advance, visits by foreign blacks, Bantustan indepe

hence—are no longer seriously in dispute in the NP. On others—the urban blacks, social mixing with local blacks, the coloureds, more land and money for the Bantustans—the ground has shifted considerably and the attack is from the other flank. The breakaway groups this time were *verligtes* (enlightened), such as Verligte Action and the Democratic Party of Theo Gerdener, former Minister of the Interior who resigned from the Cabinet in 1972 to campaign for more liberal policies. These small new groups have aroused considerable interest in Nationalist circles (Gerdener was only narrowly defeated in the elections) and have some powerful backers. The Prime Minister has assured his *verligte* supporters that the Government would interpret success at the polls as a mandate to accelerate change. This includes not only the dubious gift of Bantustan independence, but more land and development for these poor and overcrowded areas; a 'new deal' for the coloureds (a Commission including coloureds has been appointed to investigate this); a review of the position of the urban blacks, on whom the Government has hitherto taken a completely unbending line; and, finally, progress on sport and 'petty apartheid'.

Afrikaners and 'English'

It is not yet clear from the few election analyses published whether there was, as reported, a swing to the NP.[16] Although they now have four more seats, this is the result of the new delimitation and the creation of five additional seats. The real swing was to the Progressives, who not only gained five seats, but ran the UP, whose damaging party split lost it many votes, very closely in a number of constituencies. The relaxation of pressure from the Right has therefore been accompanied by the strengthening of opposition on the Left.

Furthermore, it is not necessarily the case that a swing to the NP away from the UP equals a swing to the Right. In analysing white politics, much confusion is caused by the assumption, universal in Britain, that the Afrikaners, whom the NP represents, are more racist and illiberal than the English-speaking South Africans, whom the UP represents. But a swing to the UP in Natal, for instance, would mean a swing to 'Old Guard' members like Radclyffe Cadman, who campaigned against the proposals to give more land to Kwazulu. The fact that Cadman lost his seat to the NP cannot be interpreted as a swing to the Right. English-speakers in South Africa have their own well-established record of racism. The foundation of many of the present racial policies (the reservation of jobs and land, separate residential areas) was laid before 1948 by Governments supported by them. They have been prominent amongst the theorists of segregation (Shepstone and Stallard), and racist attitudes flourish in

[16] The various ways of dealing with the large number of uncontested seats probably accounts for conflicting estimates.

predominantly English Natal and Rhodesia today. The Afrikaners have always produced their share of South African liberals (Stockenstroom, Hofmeyr, Beyers Naudé) and as they have become more educated and affluent—and therefore in less direct competition with blacks for jobs and resources—they too are producing a more broadly-based group of middle-class *verligtes*. It is notable that, while Afrikaans-dominated Pretoria has established facilities in the city for blacks, liberal English-speaking Sea Point—too affluent and chic to have been formerly confronted with the problem of black competition or residential proximity—opposed a recent suggestion that they should establish a restaurant and cinema in their area for their numerous black servants. Presumably their election of the Progressive leader, Colin Eglin (who trimmed his sails on this issue during the campaign) means they do favour the provision of such facilities—somewhere else! When it comes to the record on race relations in South Africa, there is not much to choose between the English and the Afrikaners, and we should not be over-influenced by the dour, conservative style of the latter, nor by the more familiar liberal terminology of the former.

The interpretation which attributes all racism to the Afrikaners obscures the real divisions in white politics and the significance of the changes now taking place in the party system, of which the upheaval in the UP is the clearest manifestation. The division between NP and UP has been mainly, though not solely, along English and Afrikaans language and cultural lines. On race, each party contains a fairly, and now increasingly, wide ideological spectrum. Since their defeat in 1948, the main concern of the UP leaders has been to keep the disparate elements in the party together, and to stay as close as possible to the centre, in the hope of picking up Afrikaans votes (60 per cent of the all-white electorate and even—since 'orderly change' began in the late 1960s—of outflanking the NP on the Right. This strategy accords well with the instincts of the conservative wing of the UP, whose strength lies in English-speaking Natal and in the rural areas.

'Young Turks' and Progressives

Attempts to liberalize and thereby define an *alternative* policy on race have failed, resulting in the breakaway by MPs like Helen Suzman and other Progressives in 1959. The current initiative by the 'Young Turks' led by Harry Schwarz and Jappie Basson, is the most powerful challenge to date. They already control the UP in the Transvaal (which elects 7(of South Africa's 171 MPs) and both the election result and opinion polls suggest[19] they have grass-roots support. But the 'Old Guard' remain strongly entrenched in the party hierarchy; they held their own in the bitter pre-election fight over the selection of candidates for constituencies

[19] *Rapport*, November 1973.

and almost succeeded in driving Schwarz out of the party over his Declaration of Faith with Buthelezi. Schwarz and Basson (like Malan when he laid the basis of the Nationalist Party in 1933–43) would prefer a smaller, more coherent party. They openly declared that the UP had no hope of winning this election. Their sights are set on 1979 and they are unlikely to flinch from a fierce fight to restructure the party and thrash out new policies. Unlike the 'Old Guard', they are impatient, both with the ox-wagon pace of change and with its objectives, which they consider insufficiently radical. They regard the Nationalists as reluctant reformers, muddling along and giving way only when forced to. They favour an open commitment to more far-reaching change. The entry of able businessmen like Mr Schwarz and *verligte* Afrikaners like Professor Olivier into the UP caucus will help to dispel the UP's image (in Afrikaner eyes) as an ineffectual party of jingoes and anglicized Afrikaners.

The Progressives (nicknamed the 'Cocktail Party' by the Cape newspaper *Die Burger*) will now be taken more seriously. They have gained from the UP's disarray, and have benefited from an influx of similar though more liberal businessmen like Gordon Waddell, ex-son-in-law of Harry Oppenheimer, and *verligte* Afrikaners like Professor van Zyl Slabbert and René de Villiers. With their non-racial qualified franchise (and the qualifications are quite high), they have the clearest commitment to change and to a multiracial meritocracy. Of the all-white parties, the Progressives undoubtedly have the most liberal policy on race; but the existence of liberals or *verligtes* in all three parties was recently recognized by the Johannesburg *Star*, which urged its readers to vote not along party lines but for a state of 'enlightened' candidates, which included members of all three parties.[20]

Both Progressives and Young Turks now include able and hard-driving politicians who are less likely to win from Mr Vorster the dubious compliment of being 'gentlemen', as did the UP leader, Sir de Villiers Graaff, when he proved co-operative over security legislation. Together with the *verligte* Nationalists, they will cultivate (and even compete for) contacts with black and coloured leaders. The future relations of the Young Turks, both with Progressives and with *verligte* Nationalists, must await the outcome of the struggle within the UP (as must the future relations of the Nationalists with the UP 'Old Guard' and with their own *verligte* wing). But what is happening is obviously more significant than a chance victory for half-a-dozen Progressives. The party system is being re-structured, as the old consensus on race breaks down and the English/Afrikaans division occupies a less central place. Political developments could, of course, be greatly affected by current events in the neighbouring states, in so far as these are perceived either as a threat to white secur-

[20] See *The Star* from 16 March to 20 April 1974. Gerdener's Democratic Party was also listed, making a total of four parties.

ity or regarded as a lesson in the feasibility of multiracial experiments.

The new forces in white society speak for powerful interests, but self-interest is not the sole motive for change; there is the usual admixture of idealism, sensitivity to outside disapproval, etc. That self-interest is a factor however makes them more, not less, reliable proponents of change. None of this should lead us to underestimate the strength of the forces and fears opposed to change. But the purpose of this article was to draw attention to the factors for change, to argue that they are significant, and to suggest that this has been demonstrated, not disproved, by the election campaign and result.

External pressures have played a complicated role in this process of change—though not always the one that was intended. (Presumably it was not the intention of the arms and oil boycotts to make South Africa self-sufficient in the one and less dependent on the other.) Threats and pressure against South Africa operate both to strengthen the authoritarian trends, and as an incentive to reform. The two are indeed seen to be intimately linked. As *Die Transvaler*, the official Transvaal newspaper of the NP, wrote on 24 April: 'National security does not merely mean to arrest the menace of terrorism and to combat internal subversion, but also to create a climate that will ensure stability and remove grievances.'

On this analysis, the election results—and the impact of subsequent events in the Portuguese territories—would seem to point to an intensification both of authoritarianism and of reform. But external instability, on the borders and in the international economic system, plus the increasing complexity of South African society and politics, make it impossible to calculate and therefore rash to predict whether the combination will remain stable.

The frozen politics of Hong Kong

P. B. HARRIS

Hong Kong cannot envisage unrestricted social change without a corresponding constitutional advance. If the great unspoken assumptions upon which its survival depends are brought into question, it would collapse. It is a situation which all interested parties are striving to avoid.

HONG KONG presents many paradoxes. The most militant revolutionary power coexists with a capitalism which has a face vastly more unacceptable than that envisaged by the former British Prime Minister, Mr Edward Heath. Last summer, within a matter of three months Hong Kong calmly shrugged off a stock-market collapse of Wall Street proportions, and found itself giving support to both the US dollar and the Chinese renminbi during the monetary crisis. At the same time, it provided the bulk of Britain's reserves (and lost HK$900 m. when Britain devalued) and made possible many of China's foreign exchange purchases.

The cliché about the economic giant and the political dwarf is clearly applicable and meaningful in Hong Kong's case, with the added bizarre dimension that the major part of the colony is to revert to China in the year 1997. Yet the British authorities in Hong Kong act as if this date either does not exist or is too far away to be of any importance in present calculations. Given the fact that no public disclosure of the British Government's thinking on the colony's political future has ever been made, one can only presume that Hong Kong's politics, both internal and external, are frozen. The internal situation is somewhat coyly expressed in the Hong Kong Government's Annual Report which, in the final chapter of the 1973 edition, asserts: 'The policy of Her Majesty's Government in the United Kingdom is that there shall be no major constitutional change; nor is there much popular pressure for it.' The static nature of Hong Kong's political institutions is continually emphasized and this will be shown to suit *both* China and Britain at present.

Relations with China

Officially, Hong Kong has no relations with China precisely because China does not recognize Hong Kong as an autonomous unit, though, paradoxically, she has tolerated the 'British authorities' there whose claim to sovereignty she regards as meaningless because it rests upon

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'unequal treaties'. The Chinese have not provided a precise date for the 'regularization' of the position. Literally, if Hong Kong is 'a part of China, then there is no need to resume control. One must assume therefore that political developments inside China will determine Peking's attitude to the recovery of the British colony. In short, what is likely to end the present situation is a period of high tension, such as existed in 1966–8 at the time of the Cultural Revolution.

The tenure of office of the previous Governor of Hong Kong, Sir David Trench (1964–71), coincided with the years of upheaval in China. Peking's attitude towards the British colony during the 1967 riots was fundamentally different from that of the local Hong Kong Communists and different also from that of the Canton party leadership (whose leader Tao Chu was eventually purged). Peking gave no direct orders to cause trouble in the British colony and certainly gave none 'to hand it back on a plate as a humble offering to Chairman Mao', as one local Communist put it. Hong Kong's water supply was not interrupted and the Communist confrontation gradually terminated through an excess of zeal. As late as 1970 relations between Britain and China were still difficult, but Sir David Trench's period in office ended in circumstances infinitely more propitious than those in which it started. However, Sir David represented in form and in spirit the colonial service tradition, seeing Hong Kong's best prospects in terms of a constitutional status quo.

The appointment in 1971 of a new Governor, Sir Murray Maclehose, appeared to represent a break with this tradition. Maclehose was a professional Foreign Office career official whose whole outlook was presumed to be 'international' in sharp contrast to the entirely 'colonial' experience of his predecessor. The new Governor might have been expected to take the initiative, where possible, to rethink the international role of the colony. However, much to the surprise of some observers who had thought that the links between Hong Kong and Peking might take on new forms under a Governor-diplomat, his major interest appeared to be in internal social and economic matters. Diplomatic developments were in fact quite orthodox. In the relaxed international atmosphere symbolized by 'ping-pong diplomacy', Britain established a full embassy in Peking under Sir John Addis. But Hong Kong's life was not altered in any shape or form by this 'normalization' of relations between Britain and China.[1] Whatever the laws of its existence, they did not appear on the face of it to be in any way related to the better communications established between London and Peking.[2]

[1] See Michael B. Yahuda, 'China's New Foreign Policy', *The World Today*, January 1972, and 'China's New Era of International Relations', *Political Quarterly*, July–September 1972; also Roderick MacFarquhar, 'Nixon's China Pilgrimage', *The World Today*, April 1972.

[2] See this author's 'An Assessment of Sino-British Relations in the 1970s', *Pacific Community*, July 1972, Vol. 3, No. 4, pp. 729–41.

Peking's relationship with Hong Kong is a curious one. China depends upon the colony for about one-third of her foreign exchange, deriving in very rough and approximate terms about £1 m. per day from this source. With this foreign exchange she is able to purchase wheat from Australia and Canada as well as aircraft and aircraft spares from Britain herself, together with a growing number of sophisticated items of technical equipment from a large number of countries. It is indeed astonishing that, with a population of 4 million, Hong Kong should be a 'support' to its giant neighbour of nearly 800 million inhabitants. There is some irony in the thought that Peking's proposal to buy *Concorde* could be contemplated only if foreign exchange continues to flow in from Hong Kong. At the same time, China has used the colony as a massive outlet for a large number of her exports, amounting to HK$3,847 m. in 1972.

The laws of economics make it manifestly worthwhile for China to remain satisfied with the continued untroubled existence of Hong Kong. The laws of politics, and in particular of ideological consistency, suggest different conclusions, however. Logically, Hong Kong, as a dependent part of a sovereign foreign power, should not exist at all given the often expressed hostility of China to imperialism and colonialism. The logic has not been lost upon the Russians who have frequently taken the opportunity to taunt Peking with Hong Kong's anomalous situation. Nevertheless, the Chinese authorities have been scrupulous in their avoidance of political and military confrontation. In 1967, for example, Chinese military units stationed along the border restrained the active militants of the Cultural Revolution from crossing into Hong Kong. The 'British authorities in Hong Kong' (in the Chinese phrase) are equally careful and blandly engage in the game of diplomatic poker with Chinese officials whenever the question of Hong Kong's political status arises. Both sides accept the need to practise caution and, on the whole, there is a concerted effort to reduce the political temperature. Provided Britain is seen to be concerned with the 'administration of things rather than with the politics of men', China is prepared to turn a blind eye to Hong Kong's unbridled capitalism. But several issues remain troublesome: the question of the refugees, the question of Taiwan agents, and the question of Chinese 'representation' in Hong Kong.

Three delicate issues

The refugee question is a continued embarrassment to both China and Hong Kong. But it accurately reflects the poker-faced pragmatism of both sides which until recently adopted an attitude of 'hear no immigrants, see no immigrants, and speak of no immigrants'. In 1971, 3,694 'arrests' were made of illegal entrants into Hong Kong from China, but the computer calculations of the Hong Kong police indicate that not more than a quarter to a fifth of the 'freedom swimmers' are detected. In

1972 over 5,200 illegal entrants were discovered; if this figure is multiplied by four, then well over 20,000 persons effectively escape to Hong Kong from China every year. The attitude of the Hong Kong authorities to the swimmers is, again, legalistic. They are regarded as illegal immigrants, but accepted once they arrive; they are none the less an unwelcome embarrassment.

In 1973, however, there was an inordinate increase in the numbers of legal immigrants, the Chinese authorities having made it much easier for persons to travel from the mainland into the British colony. Most of those involved appeared to be Chinese who had returned from Indonesia in the 1960s and who wished to leave China again, hopefully but probably in vain, to return to other overseas Chinese communities. It was estimated that in all 56,000 legal immigrants arrived in Hong Kong during 1973, particularly in October, compared with 60,000 in the decade 1961-71. This disproportionate increase seriously threatened Hong Kong's welfare resources. The British Government were reported to have made strong representations to Peking on the matter, and, by the end of last year, legal immigration had reduced to fewer than one hundred per day.

The Chinese view is that the 'freedom swimmers' (and the Kwantung province adjoining Hong Kong is reputedly full of enthusiastic practising swimmers) are not to be regarded as refugees. Hong Kong is 'a part of China, so the logic is quite simply that the Chinese living in Hong Kong are not in a British colony at all: Hong Kong *is* China. British law, of course, is completely at variance with this view. Indeed, there is no legal dispute between Britain and China over Hong Kong, because the grounds for such a dispute do not exist. As long as Hong Kong's situation remains unchanged, both British and Chinese honour is satisfied.

On 10 March 1972, the Chinese representative at the United Nations Huang Hua, despatched a letter to the Secretary-General in which the Chinese position on Hong Kong (and Macao) was restated. Against the Special Committee on Colonialism and Decolonization's inclusion of Hong Kong in a list of states not yet independent Huang Hua claimed that 'the settlement of the questions of Hong Kong and Macao is entirely within China's sovereign right and does not at all fall under the ordinary category of colonial territories'. Given this contention, the following examples illustrate certain difficulties in the argument. On 20 July 1972 a group of 56 refugees hijacked a junk to Hong Kong. The crew of five were returned to the mainland with their junk: the 'hijackers' were allowed to remain. In September 1972, a further group of refugees managed to hijack a fishing junk in Chinese waters. The escaping hijackers then picked up 18 more refugees on the Chinese mainland before sailing to Hong Kong. The Chinese Government did not demand, in accordance with its rights under international law, that the refugees should be arrested. Instead it allowed the incidents to pass simply because

e escapees were not regarded as fleeing from China; they were only ing to Hong Kong which, as everyone ought to know, *is* China. The gic has not, however, been fully followed in the case of Macao, which is arrested and returned the refugees on demand.

The issue of Taiwan agents in Hong Kong is much more serious, rhaps even more so than that of Russian agents (who are both active id keenly interested in the colony). The numbers of Taiwan sympathers has diminished in recent years but there remains a hard-core group dicated to the 'liberation' of the mainland, which is the orthodoxy of aipei. To the best of its powers the Hong Kong police has attempted to irtail and control their activities which, again, are an impediment frozen politics. The Hong Kong Government's dilemma is, of course, vious and derives from the fact that Hong Kong is (or must be seen to :) an open society. If Communist schools, shops, banks, and other tablishments exist, then it is difficult to deny open facilities to the aiwanese. These facilities do exist, albeit in smaller numbers. The aiwanese have never claimed that Hong Kong is 'a part of' Taiwan. owever, they would do everything in their power to prevent a Commust 'take-over' of Hong Kong, and they see the colony as a very useful ick-door and listening-post (in spite of the fact that information about e mainland is directly obtainable in Taiwan itself).

Taiwan intelligence agents have been uncovered on several occasions the Hong Kong police. It is believed that a clandestine war exists in the lony between intelligence units of the People's Republic and of the aiwan authorities, with the one group sometimes infiltrating the other. March 1972, the Hong Kong Special Branch raided the Shaw Brothers lm Studio at Clearwater Bay where many Taiwan nationals were putedly employed.[3] The Hong Kong press constantly 'discovers' spy ots which are occasionally denounced by the Government Information rvice as 'fictitious'.[4] At the same time, there are frequent interventions Soviet agents. Some of these make their way into the colony on ussian ships in the guise of sailors; when they are discovered they are ported, as was the case in 1962. Hong Kong sometimes appears as a plomatic battleground in which the members of more than fifty conlates observe China, study Hong Kong, and watch each other, overtly clandestinely.

The third issue is the very difficult question of Chinese 'representation' Hong Kong. For some time Peking has been pressing London to low the establishment of an 'office' in Hong Kong (it could not be a nsulate as Peking's view is that Hong Kong is Chinese property). Last ar the discussions clearly reached a crucial stage and may have formed

[3] *South China Morning Post* (Hong Kong), 10 March 1972.
[4] *Hong Kong Standard*, 15 July 1973, reported the 'discovery' of a Taiwan spy ng, which was quickly denied by the authorities.

part of Sir Alec Douglas-Home's talks with Chinese officials when the then Foreign Secretary visited Peking.

Britain presumably argues that, from her point of view, it would be undesirable to establish a second locus of power other than the Governor. In time of crisis, it is argued, many local Hong Kong Chinese might look to the Peking official for support, whether he encouraged this or not; in order not to lose 'face', Peking might be compelled to support its representative, and this would inevitably lead to a derogation of British sovereignty. The danger in this situation would be that some local elements might be tempted to play off one centre of power (British) against another (Chinese), with the inevitable accompaniment of inflammatory rhetoric. So far, Britain might argue that the vast mass of Hong Kong's Chinese have tolerated a kind of 'cool colonialism'—which might indeed be described as the concomitant of 'frozen politics'. Britain would clearly prefer not to have to make a firm decision that would bring closer the possibility of a head-on clash between British law and Chinese politics. The longer this clash is avoided, the more secure is the presently ambiguous status of Hong Kong.

The chances are that the British Cabinet would agree to China's request only with the most stringent safeguards, particularly as regards the detailed duties of the office. For example, it must have a clear name, title, and terms of reference, dealing, say, with travel documents, visa scrutiny, and trade discussion. The title of the office would have to be very specific, and would have to be seen as being unconnected with other China agencies such as the Bank of China or the Travel Service. The whole issue is one of immense complexity and it will require great tact and caution to bring about a solution. However, in the present happy state of relations between China and Britain, enough trust could be generated on both sides to meet the Chinese request. In truth, the situation raises the question not so much of 'whether' a Chinese representative could be installed, but rather of 'when' this might happen—a matter of timing rather than a matter of principle.

Internal developments

Hong Kong is best described as a restlessly industrious and intelligent Chinese community, which is happy to use Western techniques provided that these do not in any way infringe its national customs and conventions. How successful is the Hong Kong Government in meeting these aspirations? At the one extreme one can quote the opening calm sentence of the official Hong Kong Government Annual Report: 'The year 1972 added another memorable chapter to Hong Kong's 130-year-old history'. At the other extreme one can quote constant attacks upon the Government by certain white expatriates, particularly in the field of criminal legislation. There appears to be a view, first, that Europeans are favoured by

the police and in the courts as against local Chinese; second, that rich Chinese are favoured as against poor Chinese; third, that the law is excessively tender with regard to high-level business practices and excessively tough with regard to the lower ranks such as hawkers, the net effect being that 'white collar' crime is tolerated more than 'blue collar' crime.

On one subject, however, the position of the pressure groups for legal reform suggested a divergence from the leniency syndrome with its implied reliance upon the intuitive collective wisdom of the Chinese people. The subject, which led to considerable debate, was the case of Tsoi Kwok-cheong who was found guilty of murder and sentenced to death in April 1973. His appeal against the sentence was unsuccessful, but in May the Queen (acting on the advice of the then Foreign and Commonwealth Secretary) pardoned Tsoi. The use of the Royal Prerogative of Mercy was not generally understood in Hong Kong and the decision was widely criticized on the grounds that Chinese conceptions of punishment do not envisage 'leniency' to convicted criminals. Liberal opinion was encouraged by the fact that only a few weeks previously, on a free vote in the House of Commons, the House had agreed that it would not reinstate the death penalty. The Foreign Secretary, who is the responsible minister for Hong Kong, abstained on the issue. Legal and academic opinion, which had appeared strongly to support the Chinese 'cause' against the colonial Government, now found itself in opposition to the view, vociferously expressed by many Chinese, that the pardon of murderers would only encourage further crime in a city in which the rising crime rate was a matter of deep and serious concern.

One newspaper argued that the British Government would probably have fallen if Tsoi Kwok-cheong had been hanged, on the very doubtful ground that a second free vote on the *Tsoi issue* would have resulted in a repetition of the result of the first vote, on the *general* question of capital punishment.[6] Coincidentally and somewhat embarrassingly, the Hong Kong Government launched a Fight Violent Crime Campaign in June 1973. At least ten people—nine young men and a woman—remained in the unhappy situation of not knowing whether the question of capital punishment would be settled according to British or Chinese *mores*. In the same month, Hong Kong's problems of law and order became still more acute with the departure of a high-ranking police officer, Mr Peter Godber, under conditions of great mystery and confusion. It was alleged that he had amassed vast sums of money from corrupt, if not criminal, practices in the colony and, indeed, the investigation against him on ground of 'excessive wealth' (a ground for proceedings permissible in Hong Kong) had, as it was officially put, 'reached an advanced stage'. A court of enquiry was established to investigate the circumstances of the

[6] *South China Morning Post*, 30 May 1973.

case, but Mr Godber was presumed to be safely ensconsed in his home i England. Britain had no apparent powers over her own colony to appre hend and extradite the accused policeman. There was some discussion a to whether Hong Kong, too, had developed a Watergate situation. Mo senior policemen, both European and Chinese, were under investigatio because of 'excessive wealth'. Corruption was clearly a running sore an even the Anti-Corruption Branch (a branch of the Royal Hong Kon Police) was believed to be contaminated. All this was a far cry from th bland survey of law and order in the Annual Report which made n mention of corruption. The Governor's response was to create a ne independent body to deal with the whole question of corruption, whic began operating early in 1974. A great deal of satisfaction was expresse in May when Mr Godber was arrested in Britain and charged under th 'Fugitive Offenders' Act. The implications of his apprehension were wid indeed and could involve considerable social repercussions if he were t reveal in court the full extent of corruption in Hong Kong.

There have been other attempts, less controversial though no less far reaching, to alter the fabric of the bureaucracy. There is not much room for manœuvre in a no-party administration whose fundamental constitutional destinies are determined by Great Britain and China. Neverthe less, a team of management consultants (already known by repute to th Governor) was employed during 1972–3 to assess the scope for improve ment in the colony's machinery of government, but without touching th basic constitutional arrangements. The McKinsey Report, as it came t be known, was generally but not universally welcomed. The feature of it recommendations most frequently commented upon was the proposa to establish six policy-making secretaries to initiate and oversee a mor co-ordinated system of administration. The 'overlords', as they wer generally known, could not constitute a 'Cabinet', because an Executiv Council already existed. Logically, the McKinsey proposal woul produce two executives which might well bump against each other; th Hong Kong secretaries would suddenly find themselves cut off from th full panoply of executive power because of rigid constitutional limitation on the colony. In the Urban Council elections of March 1973, fo example, there were about 400,000 persons entitled to register on th voters' list. About one person in ten actually registered, the total figur being 31,384. The election was held to return seven councillors to a re constituted Urban Council. The 8,765 votes cast amounted to about 27·7 per cent turn-out on the registration figures.

There are, of course, no elections either to the Legislative or th Executive Councils, and the Urban Council has far less extensive power than those given to English local council authorities. At the same tim much of the 'debate' on the Urban Council was both vicious and petty so that if the issue of Britain's sovereignty over Hong Kong might b

\merica in world politics: linkage or everage?

INDA B. MILLER

Recent trends in US foreign policy, especially towards Western Europe and the Soviet Union, illustrate the dangers rather than the opportunities of 'linkage strategies'; they may generate counter-strategies, confuse the issues, and complicate the search for moderate solutions to pol..ical, economic, or military problems.

LINKAGE strategies' are not new: attempts by foreign-policy makers to e together disparate issues in bargaining with their counterparts have haracterized inter-state diplomacy since the Peace of Westphalia, if not efore. None the less, linkage strategies have taken on special significance ı current international practice, not only because they have played a ırominent role in international organizations like the United Nations or ı regional groupings like the European Community, but also because hey have been adopted as a foreign policy instrument by the United tates in her dealings with 'allies', 'adversaries', 'clients', and regimes ıat do not fit into simple categories.

As instruments of US foreign policy in the Nixon–Kissinger years, ıese strategies were to play a significant role in implementing the loudly roclaimed conception of 'a pentagonal world', a world that required ›alanced power'. Proponents of issue-linkage argued that this diplomatic ;yle would promote 'balance' by encouraging trade-offs between secu-ty and economic issues in relations with both advanced industrial states nd less developed countries. In addition, advocates stressed, the eliberate joining of different issues would recognize, and perhaps ccentuate, the collapse of artificial barriers between domestic and ›reign politics. Some critics wasted no time in attacking vigorously the otion of a pentagonal world managed by balance-of-power mechanisms ; unrealistic in its assessment of the status of Western Europe, Japan, nd China vis-à-vis the super-powers.[1] Others questioned the sincerity

[1] See, for example, Zbigniew Brzezinski, 'The Balance of Power Delusion', *oreign Policy*, 7, Summer 1972, pp. 54–9, and Alastair Buchan, 'A World estored?', *Foreign Affairs*, Vol. 50, No. 4, July 1972, pp. 644–59.

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of the American desire for a world in which US military power wou count for less.[8]

Although senior American officials have retreated from the pentagon formulation in the last two years and the rhetoric of balanced power now understood to refer to the vague future, linkage strategies have r been withdrawn from the foreign policy arsenal. The concept of a fi power world has been jettisoned, or at least placed in mothballs, but t instrument has been honed to a finer edge. Thus strategies that we heralded as generous and far-seeing in a world of loosened alignmen and mixed-motive diplomacy have survived to serve narrower nation interests. This paradoxical situation highlights what many gover mental participants, as well as outsiders, have attacked: the prevalen of style over substance, the domination of instruments over objectives US foreign policy.[9] Of course, the same criticism was levelled at t Kennedy and Johnson Administrations as the Vietnam war escalate but the domino theories presented as justification for the Americ military involvement were more modest than the global models of t Nixon–Kissinger Administration.

In considering the utility of linkage strategies, two central questio should be posed. First, do linkage strategies help American polic makers achieve their objectives? Second, do they reduce tensions?

Issue-linkage would seem to be an effective approach for domina powers which dispose of clearly superior economic and military resourc in their international relationships. Although the United States remai a super-power, the diminishing value of her economic strength vis-à-v other centres or regimes undermines one basis of linkage strategies. Sor trade-offs or package deals that could be effectuated ten or twenty yea ago are not possible today, given the more diversified structure of t international system. The political world, bipolar in some senses an multipolar in others, presents issues that invite linkage strategies, b the complicated hierarchy does not assure favourable outcomes f practitioners, as a review of American efforts clarifies.

To an important, if imprecise, degree, domestic events have overtak serious discussion of foreign policy alternatives in Washington and t country at large. Beset by the intense pressures of the Washingto scandals, Administration spokesmen deny bravely that these domest stresses impede policy implementations. Indeed, it would be incorre to conclude that this agonizing crisis has undermined the bases linkage strategies, for the weakness of such techniques of statecraft h been apparent since other players at home and abroad began to imita

[8] Stanley Hoffmann, 'Weighing the Balance of Power', *Foreign Affairs*, Vol. 5 No. 4, July 1972, pp. 618–43, and 'Choices', *Foreign Policy*, 12, Fall 197 pp. 3–42.

[9] Consult, for instance, J. Robert Schaetzel, 'Some European Questions f Dr Kissinger', *Foreign Policy*, 12, Fall 1973, pp. 66–78.

ıe Administration's behaviour. Just as other governments have adopted ıeir own linkage strategies, so, too, American special interest groups ave sought to capitalize on this bargaining tactic. Thus those concerned ith freer emigration for Russian Jews have espoused the cause of others ho would deny most-favoured-nation trading status to the Soviet nion, and vice versa. Discontent with the inclination of the President ıd Secretary of State to introduce other subjects into arms and trade egotiations has been apparent in the lower-level ranks of the bureau-acy since the drafting of the SALT I proposals.[4] At the present time, ureaucrats who have invested time and personal prestige in developing egotiating positions on troop levels in Europe or on conflict resolution ı the Middle East have legitimate worries about where linkage stra-gies may leave them and th ir political interests when top-level deals ıust be struck.

To a limited extent, bureaucratic foot-dragging in the Pentagon or sewhere may directly constrain Nixon and Kissinger, as it did tem-orarily when the urgent matter of Israeli rearmament arose during the ctober War. To a greater extent, the desire of non-governmental groups ı manipulate their favourite issues in foreign policy may undercut the argaining reputations of the chief decision-makers. The question here not whether bureaucratic or other domestic checks on executive power e healthy in an industrial democracy, for surely Watergate has demon-rated how necessary they are. The question is whether the principal chitects of US foreign policy are sufficiently attuned to these safe-ıards to alter their reliance on linkage strategies if conditions change. he problem of adjustment to differing circumstances is compounded by ıe predilection of Mr Nixon and Mr Kissinger for personal interaction ith other leaders. The habit of summit diplomacy is related to the actice of issue-linkage, for it is only at the highest level that package eals cutting across bureaucratic responsibilities for separate topics or ographical areas can be formulated. Structural and personal factors, ıen, affect the success or failure of linkage strategies.

Mr Kissinger's penchant for secrecy, surprise, glamour, and globe-otting is not as important as the force of his likes and dislikes. His eferences have shaped the character of relations with three of the four resumed 'power centres' of the pentagonal world. Until recently, the hanged' relationship with China, for example, has tended to rest on the ıutual admiration of Kissinger and Chou En-lai. The endemic US iscalculation of Japanese sensibilities and interests since 1971 is ımmonly attributed to Mr Kissinger's distaste for Tokyo's diplomatic yle—appearances, whether justified or not, thus become realities and ›vern expectations. The emphasis on intense involvement in the day-

[4] For background information, see John Newhouse, *Cold Dawn: The Story of ALT* (New York: Holt, Rhinehart and Winston, 1973).

to-day conduct of certain aspects of foreign policy reached its apogee in Mr Kissinger's supervision of the disengagement negotiations between Israel and Egypt, and later between Israel and Syria. Again his considerable prestige is at stake at a time when the Vietnam agreement, also regarded as a personal achievement, looks like unravelling completely. Moreover, his protracted absence from Washington, despite the conclusion of a disengagement agreement, has raised questions about the Secretary of State's priorities. During his recent month in the Middle East, France and Germany selected new leaders, India exploded an atomic device, and the Congress awaited State Department testimony on defence appropriations and foreign assistance bills.[5]

Mr Nixon, like Mr Kissinger, knows that personal relations are a *notoriously frail foundation on which to build international order*, but he has done little to educate domestic opinion on this rudimentary point. On the contrary, as his domestic situation has deteriorated, the President has grasped at foreign straws. The spectacle of Mr Nixon holding court at Mr Pompidou's funeral was designed to establish in the public mind the importance of his survival as President for the maintenance of a relatively peaceful world. Similarly, Mr Nixon confused matters when he explained that his close personal relationship with Mr Brezhnev had enabled tensions to be eased after the announcement of the full-scale military alert during last October's hostilities; he neglected to mention that this much vaunted friendship had neither prevented the events leading to the alert, nor encouraged the Soviet leader to consult with the President about Arab intentions preceding the Middle East war, as might have been expected on the basis of the Moscow accords of May 1972.

These agreements, signed with an eye to the November 1972 Presidential election, have been denigrated by Senator Jackson and others, both on grounds of style and substance. The critics think that the United States obtained a 'bad deal' in SALT I and may also do poorly in SALT II, if too much emphasis is placed on reaching agreement quickly, perhaps in response to Mr Nixon's domestic predicament. Whatever the merits of their analysis of SALT I, their concern about the current state of US–Soviet relations is quite legitimate. The President has visited the Middle East and has attended another Moscow summit in order to conclude additional agreements on strategic arms and on troop reduction in Europe, which can be presented as a personal triumph in the midst of the impeachment proceedings. His domestic opponents are ready to claim that any concessions granted to the Russians in Geneva, Vienna, Helsinki, or Moscow will issue from a thoroughly discredited President desperately clinging to office. Whether or not Mr Nixon's detractors are proved to be right, it is clear that the pressure for definite results, urged for different reasons by American and Soviet officials, could boomerang

[5] James Reston, *International Herald Tribune*, 23 May 1974.

to Western disadvantage. For, if there is to be progress at the Conference on Security and Co-operation in Europe (CSCE), it is the items in basket 3', dealing with the freer movement of people and ideas, which might have to be sacrificed. The unified Western approach that made possible the linkage of human rights and security issues is no longer intact. The new French President, M. Giscard d'Estaing, and the new West German Chancellor, Herr Schmidt, have chosen to stress national priorities in their first speeches and the British Prime Minister, Mr Wilson is preoccupied with the problems of Northern Ireland, election iming, industrial strikes, and renegotiation of British membership of he European Community.

Apart from such concrete instances of changing circumstances that educe the effectiveness of ; sue-linkage, there is a general feature of world politics which limits the scope for these strategies, namely the nability of governments to alter the domestic structures of other counries. Ironically, linkage strategies might be more credible if American objectives were more ambitious. If the Nixon Administration did aspire o secure institutional change within the Soviet Union or in Europe, its officials might make a better case for tying together a variety of economic ind security issues. Since American leaders do not hold this objective, t becomes harder to justify the use of issue-linkage as an instrument. Nevertheless, linkage has become even more prominent in the second Nixon Administration than in the first, despite some shifting geographical mphases. Perhaps it is not too difficult to understand why, despite the obstacles just outlined. The very complexity of the super-power relaionship, comprising strategic-military, political, economic, ideological, ind cultural aspects, cries out for selectivity. Similarly, the vast field of alliance politics, with governments on both sides of the Atlantic attemping to contain the destabilizing effects of interdependence, requires egulation.

During Mr Nixon's first four years in office, linkage was presented as in instrument for ensuring Soviet participation in an ever increasing network of substantive relations with the United States, as a technique or promoting detente with 'adversaries'. In the second Administration, inkage has been advanced as an equally suitable approach for relations with Japan and West European 'friends'. Many commentators have noted with satisfaction the mid-course correction of the Nixon Administration, from the almost exclusive focus on super-power relations to a stress on allied contexts, but have ignored the reasons behind the shift n concerns and the persistent hazards of issue-linkage that plague both sets of relationships. The 'new' importance of Europe and Japan is properly viewed as a belated acceptance of the significance of economic ssues in world politics, which the energy crisis dramatized for the average citizen. Regrettably, the Administration, once having recognized

the increasing vitality of trade, credits, technology, oil, and simil subjects, has sought to link them with arms and security issues at juncture when linkage is yielding less leverage in negotiations wi Europe and the Soviet Union.

In theory, linkage strategies, tying the exchange of economic ai credits, or technological information to progress on arms control internal liberalization and freer emigration, seemed to give the advanta to the United States in terms of offering rewards to the USSR or withhol ing them. From the Washington perspective, linkage strategies, pr viding the United States with economic benefits from the Europe Community in exchange for the continued presence of American forc in Europe and the nuclear guarantee, appeared to be reasonable. I practice, these strategies have failed, not because they represented on sided bargains, but, in part, because they have demanded a style negotiation beyond personal diplomacy. Unfortunately, econom issues which are critical to the pursuit of linkage strategies are n Mr Kissinger's forte—as the bungling of the Soviet wheat deal and th Japanese textile negotiations revealed. While less charitable observe might offer the Secretary's ignorance of the subject matter, or Gaulli disdain for it, as an explanation, it seems likely that style is at fault. A Fred Bergsten argues, on the basis of his service as an internation economic affairs specialist with the National Security Council fro 1969 to 1971: 'Economic issues cannot be handled by superstar solo They require both political and bureaucratic consensus at home, su tained attention, and messy negotiations with a variety of leaders abroa because the issues fuse a wide variety of interests on a wide variety negotiating fronts. Mr Kissinger has yet to demonstrate the ability develop a domestic consensus on any issue, let alone those of economi where vested interests clash sharply.'[4] The American handling of o diplomacy since the October War does not change this assessment.

In addition, issue-linkage has proved unsatisfactory because certai issues in world politics have a momentum of their own and resist muc manipulation. Thus, technological breakthroughs in weaponry, especial MIRVs, have made new arms accords desirable, whether or not accon modation with the Russians can be extended to other spheres. Mor over, other issues may be suitable for linkage, but only in a limite period of time. Whatever economic shortages the Soviet leaders ma face in the near future, their need for American credits and trade becoming less desperate as their raw materials exports rise and as the benefit from the quadrupling of oil prices. Hence, American leverag based on granting most-favoured-nation trading status in return fo concessions on Jewish emigration and the treatment of intellectuals,

[4] C. Fred Bergsten, 'Mr Kissinger: No Economic Superstar', *New York Time* Op Ed Page, 12 December 1973.

declining. It is indeed possible that denial of trade expansion could lead to a tightening, rather than a loosening, of internal controls in the Soviet Union. Interestingly, the Administration, which once preached the virtues of linkage to the public, now seeks to decouple trade from the other issues, but is having a hard time persuading certain Congressional converts to give up the struggle.

Issue-linkage has formed the essence of the transatlantic connection since the founding of Nato, but the initial bargain of West European defence co-operation at the cost of commercial discrimination against US goods has long ceased to be acceptable to Washington. Seen from the American capital, the economic strength of the EEC has simply augmented the price for the United States, while the failure of the major West European states to contribute more to the defence burden has undercut the original understanding. Mr Kissinger's 1973 proposal for a new Atlantic Charter purported to recognize the different realities of contemporary world politics, especially the diminished fear of a Soviet attack on Western Europe, yet it raised more questions than it answered.[7] Since 1971, the Nixon Administration had conducted its affairs with Western Europe primarily on a bilateral basis, arousing worries that the United States was trying to undermine the Community (a task the members seem quite capable of undertaking themselves). But the Atlantic Charter required a collective European response and appeared to link maintenance of the nuclear guarantee and conventional forces in Europe with economic quid pro quos that a weakened Community could not provide. Attitudes towards linkage in the alliance and the Community were drawn sharply thereafter. The United States, eager to preserve her dominant role in Nato and her special relationship with the Soviet Union, would try to link the consideration of security and economic issues as a means of reducing American defence outlays in Europe, and minimizing the effects of the Community's economic success. Conversely, the Europeans would resist the American version of linkage in an effort to gain from that same economic success political leverage in Eastern Europe and the Mediterranean, and would therefore insist on separate declarations of principle on relations with the United States in the Nato and the Community contexts.

Antagonistic rhetoric in Washington and the major European capitals in the ensuing months revealed a hardening of positions. Mr Kissinger's assertions before the Yom Kippur war that Europe's interests were 'regional', his statements during the war that the Europeans had ignored Nato obligations in refusing to support American efforts on behalf of Israel, and his declaration after the war that many European leaders had presided over 'illegitimate' governments since the First World War,

[7] For additional details, see Ian Smart, 'The New Atlantic Charter', *The World Today*, June 1973.

inflamed the already heated atmosphere, as did Mr Nixon's subsequen allusions to the impossibility of continuing American defence commit ments in the face of economic 'hostility' directed from Brussels. Th Europeans' separate calls to the Arab states and to Japan for discussion that would exclude the United States, coupled with the issuing of statement of European 'identity', made eventual American abandon ment of the Atlantic Charter idea inevitable. To be sure, a declaration o principles drafted in Nato may yet furnish one concrete accomplishmen for an extended Year of Europe. Yet the period was chiefly memorabl for the Europeans' rejection of American-proposed issue-linkage. Th mutual complaints of 'lack of consultation' indicated that the Unite States and the West Europeans shared a dislike of fait accomplis, bu not a formula for avoiding them in the future.

Nevertheless, just as the Administration is now reassessing its bar gaining tactics with the Soviet Union in the light of altered conditions, i must also reconsider whether either the United States or the European can afford the luxury of contestation for short-term, marginal advantages. On both sides of the Atlantic, the thrusts and parries of the Atlantic Charter digression have proved costly. There are, for example, no coherent conceptions in Nato as a whole, in the Eurogroup of the alliance, or in the West European Union on the extent to which Soviet–American interests might transcend alliance commitments in a fashion that would encourage the formation of a West European defence entity. In a more positive vein, there is an increasing awareness in both America and Europe, that the choices of governments are increasingly restricted by the private foreign policies of multinational corporations, whose trans-national activities are not subject to direct governmental control and whose objectives may be attained by exploiting intra-governmental bureaucratic squabbles, as well as inter-governmental differences.[8]

Far from promoting flexibility, linkage strategies have threatened to obscure whatever positive objectives the United States might pursue in her complicated relations with adversaries and allies. In recent years, the marriage of trade and monetary issues with security has produced a negative definition of American goals—the prevention of balance of payments deficits, the avoidance of disruption in energy supplies, or the absence of general war. Not much more can be expected from an American President weakened by his own domestic follies, who cannot use to any advantage the internal conditions in either the Soviet Union or Western Europe which might still favour issue-linkage. For the future—whoever occupies the White House or the State Department—the American agenda, in recognizing the roles of new domestic and foreign actors, must acknowledge that linkage strategies have neither served American

[8] Joseph S. Nye, Jr, 'Multinational Corporations in World Politics', Discussion Paper, The Royal Institute of International Affairs, April 1974.

ıterests well nor reduced tensions. United States policy-makers seeking ·verage in relations with other governments must therefore employ sue-linkage sparingly, if at all.

┌he Portuguese coup: causes and probable :onsequences

'HOMAS C. BRUNEAU

'HE significance of the process set in motion by the military coup in ortugal on 25 April 1974 cannot be overestimated. In the European ɔntext, it means the end of the oldest dictatorship and the immediate ıange of what was probably the most closed social and political system ıto what is at present one of the most open and dynamic. In a broader ɔntext, it marks the end of both the first and last classical colonial empire, ıceeded only by England and France during the heyday of the imperial ·a. There is more than symbolic importance in this demise, as the stra-·gic location of Angola and, more important, of Mozambique means that ıy change in their status will have repercussions in the other white-ılcd regimes in Africa and consequently in the rest of the continent. Ioreover, US and Nato plans regarding the Western sector of the Indian 'cean will be affected. Geopolitically, therefore, the transfer of power om the civilian regime of Prime Minister Marcello Caetano to the *ınta de Salvação Nacional* (JSN or Junta of National Salvation) headed y General António de Spínola has implications which will become even ıore important when Portuguese troops begin to leave Africa.

The analytical questions arising from the coup are also important, articularly as the means of taking power and the subsequent processes ·e already hailed as a model applying to other rightist regimes. In this ·gard at least three questions will be considered here. Why did the ·gime fall at this time after almost half a century of stability and with o prior indications of its imminent destruction? Why did the military, hich normally intervenes from the right (or if from the left then in a aternalistic manner), move from the left and immediately implement series of reforms bound to mobilize the population? And why did the ortuguese, who are viewed as culturally apathetic and conservative, ıpport the coup with such enthusiasm and continue to demonstrate

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energy and abilities not seen for generations, if not centuries? An explanation which seeks to answer these questions must begin with brief analysis of the old regime.

The old regime

This regime was unique as the only avowedly corporative syste remaining from the era between the two world wars and it continued t contain substantial elements of fascism that were popular in that perio The architect of the system was Prime Minister António de Oliveir Salazar, who ruled from 1928 until his stroke in 1968, and fashione Portugal into a fascist country very similar to Italy and Spain. The mai difference was that this corporative/fascist regime survived in Portug almost in its original form, as the country experienced neither a civil wa like Spain nor defeat in war like Italy. The defining characteristic of th corporative state was its denial of class conflict and, much in line wit Pope Leo XIII's encyclical 'Rerum Novarum', its emphasis on the har mony of all interests and their representation through structures base upon the 'natural communities' of place, family, and corporation. Th main problem with the Portuguese corporative system was that it wa never fully implemented. Legislation was promulgated in 1933 providin for the general structure of the system as well as specific organization including the *casas do provo*, *gremios*, *sindicatos*, and labour courts, an in 1935 the Corporative Chamber was created. The interests of th Government then turned to the more dramatic events of the Civil Wa in Spain and the Second World War so that legislation for the keyston of the whole system—the corporations themselves—was deferred unti 1956. There were periods of greater or lesser emphasis on the corporativ system from 1933, and Prime Minister Marcello Caetano began t implement it after taking office in 1968, but the organization alwa remained incomplete. It was less a system for harmony and social justic than a means of class rule, with the distribution of social welfare relegate to a secondary role.[1]

While more positive features of the corporative system were neve fully implemented, neither were the most odious features of fascism The formal elements of fascism were introduced, including an officia party, *União Nacional*, and a para-military movement, *Legião Portugues* with its youth wing the *Mocidade Portuguesa*. Censorship was extensiv and indoctrination rampant but overall the fascist profile of the regim

[1] On the origins, processes, and functions of the corporative system se Philippe Schmitter, 'Corporatist Interest Representation and Public Polic Making in Portugal', and Howard J. Wiarda, 'The Portuguese Corporati System: Basic Structures and Current Functions', to be published in a book o current Portugal edited by Joyce Riegelhaupt and Douglas Wheeler. The contr butions to this book were presented at a Conference on Modern Portugal held i Durham, New Hampshire, in October 1973.

nained low except during the Spanish Civil War and shortly thereafter. ' greater significance were the secret police (International Police for ; Defence of the State or PIDE, which became the Directorate General Security, DGS, in 1968) and the Republican National Guard, GNR, iich constituted the repressive apparatus in lieu of a monolithic party. iis was not a high-powered fascist system such as Italy's and certainly t at all like that of Nazi Germany, but more a 'clerico-corporative' gime in which the initial inequalities in society were sanctioned while : political system itself developed a certain genius for stability and ntinuity.[1]

This continuity is imperfectly explained by reference to the Portuguese :ntality of conservatism, for both before 1928 and after 25 April 1974 : people showed themselves to be active as well as reasonably pro- :ssive. The explanation is rather to be found in the nature of the uctures established in the corporative/fascist system which simply iited the means of participation. At the national level, the regime was reaucratic and authoritarian and all decision-making was extremely ntralized. At other levels, there were no channels whereby those below uld control those above and ultimately all decisions were made in sbon, with no structural means whereby the population could voice opinions either through the media or by means of organized groups. . the Portuguese anthropologist José Cutileiro has stated in an excel- it book: 'The outward acceptance of the social order thus finds an planation in the nature of the political system. Nothing can be organ- :d locally to call into question the present order and very little can be ne from the outside.'[2]

When groups or parties did attempt to call the regime into question, : PIDE/DGS and the GNR served to discourage them. That the social d economic results of this regime were not pleasing to all is indicated the fact that out of a base population of some nine million an estimated e and a half million Portuguese were emigrants in Europe and America. it the corporative fascist regime might well have remained in power for other few decades had it not been for the wars in the overseas terri- ies of Angola, Mozambique, and Guinea.

emands of the African wars

Salazar's decision to remain in Africa after the start of the guerrilla irs in 1961 contrasted with the policy adopted by other colonial powers d led to contradiction in his own previous policy of isolating Portugal

[1] For a good general introduction to the nature of the regime see H. Martins, rtugal' in S. J. Woolf (ed.) *European Fascism* (London: Weidenfeld and colson, 1968).

[2] José Cutileiro, *A Portuguese Rural Society* (Oxford: Clarendon Press, 1971), . 292–3. See also Joyce Riegalhaupt, 'Peasants and Politics in Portugal, The rporate State and Village "non-politics"', in Riegelhaupt and Wheeler, *op. cit.*

economically as far as possible from the outside world. His original claim to authority, first as Minister of Finance and later as Prime Minister, was that he had stabilized a shaky economy, keeping inflation down to less than 0·5 per cent annually even during the 1950s and making the escudo one of the world's most stable currencies. The demands of the African wars required not only the permanent mobilization of some 150,000 soldiers but also the commitment of roughly 44 per cent of the national budget each year. Portugal joined the European free trade area and therefore lowered her traditionally high tariffs, but she also went further in encouraging foreign investment and in the process greatly reduced the protection against competition. Her traditional reliance on the export of products such as wine, fish, and olive oil, and her relative lack of natural resources, meant that she could not compete effectively in the world economy in which she increasingly participated. Industrialization was embryonic and, as such a huge portion of the budget was committed to the wars, the state could not actively encourage investment. The results were twofold. In the first place, there was an increasing tendency, particularly after Caetano took office in 1968, for government technicians and businessmen to turn to Europe with hopes of ultimately joining the EEC. This definite propensity to look less to Africa and more to Europe for Portugal's economic future was in a way illustrated by the massive emigration, caused not by a pro-European attitude on the part of the population but by a comparison of conditions at home with those abroad. This brings us to the second result of the wars and the opening-up of the economy. Portugal has had a very low per capita income during her recent history and poverty has always been widespread. However, in the late 1960s inflation increased severely; prices rose by 5 per cent in 196[illegible] and by 16 per cent in 1971, while estimates for 1973 were in excess of 20 per cent even before the Arab oil boycott. The Government's solution was to adopt anti-inflationary policies that placed the main burden on the workers, making their life very hard indeed.[4]

It is no overstatement to use the term 'social crisis' in referring to the combination of the economic difficulties, the disruption caused by emigration and desertions from the military, and the rampant process of secularization and decay of traditional values. The real crisis, however was to be found in the political realm for, as argued above, the corporative/fascist regime had developed its structures of control and repression so well that the needs of the population were not recognized and acted upon. In the presidential elections of 1972 (indirect since 1959, when the opposing candidate Humberto Delgado, won at least 25 per cent of the votes) Admiral Américo Thomaz was given a further seven-year term

[4] On recent developments in the Portuguese economy, see F. Pereira de Moura, 'O Desenvolvimento da Economia Portuguesa, 1945–73', in Riegelhaupt and Wheeler, *op. cit.*

despite his advanced age and extreme right-wing orientation. In the elections to the National Assembly in the autumn of 1973, only members of the official Popular National Action party (*Acção Nacional Popular*, *ANP*) were returned, the opposition being so harassed that they withdrew. There were no signs that the regime was ready to deal with the social crisis, and whatever prestige Caetano may have enjoyed when taking office in 1968 had long been dissipated in his move to the right. As the crisis grew during the last eighteen months, there were further signs of discontent, to which the regime replied with increased intimidation and torture administered by the PIDE/DGS. This was already very clear when I interviewed people in Portugal last summer and still more obvious when I returned in mid-April this year.

In a highly-centralized regime such as Portugal's, it falls to those institutions with relatively greater autonomy to bring about change. The Catholic Church, as an international institution, normally has a certain amount of autonomy; but for particular historical reasons, chiefly its ill-treatment during the Republic, and because of Salazar's subsequent support, the Church hierarchy was largely satisfied with the regime. There were elements within it, including the Bishop of Oporto, which opposed the regime and were imprisoned but they were out on a limb. In any case the Church was too weak to be able to bring down the regime, but its opposition might have forced some modifications in its most pernicious policies.[5]

Discontent of the military

The military was the other institution with some degree of autonomy because, owing to its nature, it had its own career structure, institutional identity, and particular conception of national pride and honour. The military must develop these characteristics even more in order to wage war, and during thirteen years of wars in Africa the Portuguese forces perfected them as well as their fighting technique. The reason the military was willing to use its autonomy to overthrow the regime arose from its sense of grievance in fighting wars that could not be won. It moved from the left because the regime was far to the right and intransigent. The best way to illustrate the grievance and progressive orientation is by reference to Spínola's book *Portugal e o Futuro* (Portugal and the Future), in which the highly respected Deputy Chief of Staff publicly voiced the conclusion that the wars could not be won militarily and suggested alternative means for Portugal to maintain her links with the overseas territories. Spínola had argued the point in private with Caetano two-and-a-half years earlier before starting to write the book, which was approved by his superior, the

[5] I am currently completing an article on the role of the Church during the period since 1930. The change of regime will pose tremendous problems for an institution which was so much a part of the previous system.

Chief of Staff, General Costa Gomes. It thus represented the thinking of the most senior and most respected officers, who had a strong sense of grievance at the waste of men and other resources in the war and at the ossified regime's unwillingness to seek any other solution, much as it was unwilling to contemplate changes at home.

The senior officers, however, did not make the coup and, judging from actions on 25 April as well as from the retirement lists since, few of them initially supported the movement. The coup was made by junior officers, mainly at the captain level, who were in direct contact with men and weapons and were most directly affected by the crisis in society. The explanation as to why the Captains' Movement, which later became the Armed Forces Movement, overthrew the regime is best found at two levels: that pertaining to the military itself and that pertaining to the manner whereby the social crisis influenced them. These junior officers realized better than anyone that the wars could not be won. They had served three or even four tours of duty in Africa and their immediate contact with the soldiers caused them to be fully aware of the losses and the odds against winning. They also knew that Lisbon would not seek a political settlement, and it is worth noting that the first paragraph in the Programme of the Armed Forces Movement published on 26 April faults the regime on precisely this point. They also had before them the precedent of Goa, in which the officers were held responsible for the loss of Portugal's possessions to India in 1961. This became particularly relevant in January of this year when some whites in Beira, Mozambique, abused and attacked Portuguese officers for not fighting actively enough against the guerrillas. In sum, they knew full well that they could not win the war and that they would be held responsible for a defeat which Lisbon could avoid.

The manner in which the social crisis influenced the junior officers is important in explaining why the Armed Forces Movement has gone so far and so fast in transforming Portugal domestically. If their grievance had remained exclusively the fear of military defeat, then one would imagine that a man such as Spínola would lead a movement and assume a role similar to that of General de Gaulle after 1958 merely to get out of Africa. The analogy is not relevant because the Armed Forces Movement made the coup, placed Spínola formally at the head, and is itself changing Portugal, something de Gaulle did not attempt in France. The junior officers came to appreciate the social crisis in the first instance because of their personal lives. Their salaries were not high and the rampant inflation ate into them severely. Then, too, their various tours of duty made them sensitive to all the problems of uprooting that the emigrants and fugitives from the draft already knew about. That is, their own conditions began to make them aware of the conditions faced by the vast majority of the people. They began to interpret their grievances in political terms

because of the voracious demands of the draft. To staff a force of some 150,000 men (not including local enlistments in Africa) required a universal draft and long tours of duty.[6] It also necessitated recruitment of officers from a group that was the most likely to flee from Portugal simply to avoid the draft. The military thus had to accept for officers' school not only university students with political backgrounds but also political activists who were given the option of either prison or the army. Moreover, it has been pointed out to me by party activists (but this would be difficult to substantiate) that it was the policy of the Socialist and Communist parties to encourage their militants to enter the armed forces, especially the officer corps, rather than to flee, so that they might radicalize them. The combination of these factors led to the politicization of the junior officers so that they viewed the causes of the wars in conjunction with the political and social issues at home. The solution to one problem could not be found in the solution to the other and virtually everything would have to be changed at once.[7]

The sequence of events between the formation of the Captain's Movement in the autumn of 1973 and the publication of Spínola's book in February of this year is unclear. Meetings were held in Portugal and Africa initially to discuss career matters but they rapidly led to political considerations. At least one document was sent to the Ministry of Defence but as far as is known it received no reply. The publication of Spínola's book and the reactions to it served as a catalyst for the Movement and explain the timing of the coup. Spínola was considered a hero because of his three years as military governor of Guinea, and with his prestige the book caused all the more furore. It may well be the case that Caetano read it before publication but even so he was not able to stem the rightist tide, led by Américo Thomaz, which resulted in the dismissal of both Spínola and Costa Gomes. The popular response to the book, and the rightist reaction against it, indicated finally to the Movement that the only solution to Portugal's problems would be a military one.

The coup of 25 April

There was a tentative coup in Caldas da Rainha on 15 March in which some 200 men participated, but it was put down with the subsequent imprisonment of about thirty officers. According to one interpretation,

[6] Portugal, with 11·2 per cent of regular armed forces to men of military age, ranks highest in the world after Israel with 12·8 per cent. This is more than triple Britain's rate and almost double that of the US. The average tour of duty was four years.

[7] The documents of the Captains' Movement are still secret but part of one was published in *Expresso* of 4 May 1974. Their global analysis is made clear in this document. So far the Movement is clandestine and as such is open to the wildest interpretations, including its backing by Maoists as well as the CIA. We may never know who directed it or who composes its co-ordinating committee but this does not detract from an analysis which places the Movement at the centre of events and attempts to relate other groups and processes to it.

this coup was intended to fail in order to gauge popular support for a military solution. Another interpretation, which seems more likely since popular support had already been demonstrated with Spínola's book and his subsequent dismissal, holds that the main coup was planned for 15 March but that the Movement learned from its own people within the PIDE/DGS that the regime expected it. It was therefore called off but the barracks in Caldas were not informed; their troops began to march on Lisbon, and were isolated by loyalist forces. One result of the aborted coup was to consolidate support for the Movement in reaction to the interference of the PIDE/DGS in the barracks while probing for other coup attempts.

The speed and forcefulness of the coup on 25 April is evidence of the intelligence and tactical ability of the Movement. In a period of twenty hours it took control of the military, forced Caetano to resign, and installed the *Junta de Salvação Nacional* with Spínola at its head. There was minimal loss of life and any resulting disruption was caused less by the military than by the enthusiastic population of Lisbon which would not obey orders to stay at home. Spínola himself was brought into the Movement only on the afternoon of the 25th in order to receive personally the surrender of Caetano and thereby salvage some legitimacy from the old regime. That same evening the JSN was formed and it was presented to the country on television early the next morning.

Equally as impressive as the assumption of power has been the spee and consistency with which the Movement has implemented its initi statement. The Programme of the Armed Forces Movement became tl basis of the JSN and was subsequently adopted as the orientation of tl Provisional Government formed on 15 May. Similarly, the Moveme still controls decision-making although a Provisional Government exis and deadlines have been set for general elections. The JSN continues power and monitors the actions of the Provisional Government b behind the JSN stands the Movement which remains in control throug its occupation of key positions in the ministries, departments, agencie and the media. There is, in addition, a Council of State to monitor tl Provisional Government, composed of the JSN, seven other milita officers, and seven civilians; the Movement, being behind the JSN, an selecting the other seven officers, also controls this body. In short, it is i almost total control of the new regime, yet not completely becau Spínola is decisive and occupies such a central position that he ca absorb much power. One might ask why the Movement does not remove the façade and simply rule without the JSN or the Provisional Government. The JSN was necessary in the first instance to broaden the legitimacy of the coup by including high-ranking military figures such as Spínola and Costa Gomes. This ensured that there was a minimum of turmoil and confusion in Portugal and Africa and diplomatic recognition

took place quickly. If the Movement had formally assumed power, there probably would have been some opposition from units in Africa and confusion could have led to civil war. The Provisional Government was provided for in the Programme of the Movement and came into office on 15 May in order to continue the legitimacy already accruing to the JSN, to prepare the Portuguese people for the idea of civil government, and to defuse discontent. Everyone expected that there would be strikes and some disorder in opening up the political system. By forming a Provisional Government which includes Communists, Socialists, and elements from the Centre-Left, the Movement gave these same groups a stake in minimizing problems; it would not be in their interest as part of the Government to create disorder, and this has in fact turned out to be the case.

Policies and likely problems

The Movement has implemented the reforms provided for in its programme. These include the abolition of the structures of the corporative regime including the ANP party, the *Legião*, *Mocidade*, and the labour system. It has also liquidated the fascist elements (including the PIDE/DGS and censorship), and political prisoners as well as exiles are now invited to participate in public life. In short, the structures whereby the status quo was petrified for some forty years have been eliminated. At the same time, sectors of the population have been mobilized, leading to further dismantling of the system so that there is currently a very rapid rate of mobilization and transformation. In many cases the people, and particularly urban workers, have gone ahead of the Movement and changed the elites in all conceivable positions of control. From a totally centralized and authoritarian state Portugal is now moving towards one that is decentralized and democratic. The process is taking place under the supervision of the Movement and in this sense it is a guided democratization; but in contrast to the situation in Egypt under Nasser or in Peru under Velasco, it is neither paternalistic nor populist and concrete steps are being taken to establish a civilian regime within a year.

The changes under way in Portugal are revolutionary in any sense of the term and, as in any revolution, there are reactions, hesitations, and problems. The problems are the more serious because of the interrelation of domestic and foreign factors, particularly as the latter led to the coup in the first place. An obvious initial problem is the possibility of a rightist reaction, probably based on the para-military units of the old regime, and with support from foreign countries. The Movement has of course disarmed these units and as long as it can maintain internal unity the success of such a reaction seems remote. The foreign news media have tended to emphasize the role of the Portuguese Communist Party as the best organized political force. I would not overemphasize its role in the

new regime, both because it has not shown itself to be particularly effective in controlling the workers and also because it is not armed. Rather than taking control, it is likelier to stimulate more overt military control by way of reaction.

Domestically, the processes initiated and supervised by the Movement signify the destruction of a socio-political system that did not recognize class conflict and its replacement by another that not only recognizes but even promotes it. This transformation is being carried out with a population that is ill accustomed to participating in and controlling its own destiny and is therefore without experience in open politics. But judging from my observations during and after the coup, too much has been made of the political inexperience of the Portuguese. If the people were as immature as Salazar frequently stated and the foreign news media apparently still believe, how could they have behaved so responsibly and moderately in virtually every demonstration and strike? The danger does not rest with the population's propensity for anarchy but rather with their passivity in the face of another strong government. Before the coup everyone supported the regime at least formally. Today also everyone supports the regime, but it is a very different one. That is to say, there appears to be little sense of criticism or opposition to the new Government and this leads one to suspect that there is only a superficial appreciation of what is involved in politics. The real danger is that the new regime will not take shape because people cannot develop a realistic commitment to it and that it may fall, as did the Republic in 1926, simply because nobody cares very much about its survival. The current proliferation of parties (fifty at the last count) seems to support this interpretation, for organizations are apparently not being formed that can gain the support of large numbers of people. There is too much enthusiasm at the moment and not enough consolidation of forces. Quite possibly, the Provisional Government will be able to shape the new system during its year in office, but if it does not, the Movement is likely to intervene directly again and rule as a progressive military rather than civil regime.

Future relationship with Africa

The coup was caused by the overseas wars and, undoubtedly, the greatest difficulties will arise in Africa and in the relationship involving the political solutions proposed and the reactions in Portugal. The loss of the territories will mean a change in Portugal's historic image and her options for the future. There are probably no specific problems arising from the change of image but it can set a tone that will further complicate other concrete problems. The position of the Movement as regards Africa is vague, but it has stated that the solution must be political. Spínola argued the same point in his book but his recommendation was for a federation of equal and autonomous states. Provided that plans con-

tinue for a referendum in Africa, it will be up to the white settlers (about 700,000 of them) and the guerrilla movements (claiming to speak for the 15 million blacks) to hammer out the political solution themselves. There seems little doubt that Guinea Bissau will have its independence recognized in a short time, but whether Cabo Verde is included in the agreement currently being worked out by the new Foreign Minister, Mário Soares, and the guerrilla organization PAIGC, remains to be seen. Angola seems to offer the best possibility for a continuation of the Portuguese in Africa, maybe even along the lines of Spínola's book. Angola is extremely rich and there are at least 500,000 Portuguese who would like to remain there. The three guerrilla movements are divided internally and it is possible that the white parties can come to terms with one, or parts of more than one, and remain indefinitely, although certainly not in such a privileged position as before. If the military is to interfere anywhere to help the settlers it would be in Angola. Such intervention is not likely in the case of Mozambique, as the settler population there is less than 200,000, the guerrilla movement is unified in Frelimo, and the antipathy between the whites and blacks is far greater than in Angola where a degree of mixing exists. The complicating factor in Mozambique is its strategic importance for Rhodesia and South Africa; it is likely therefore that they will become involved in the resolution of any conflict between the settlers and Frelimo. In short, the situation is very unclear because of too many unknowns. Guinea Bissau presents relatively little difficulty. The Mozambique problem could be resolved if the settlers were willing to leave for South Africa or even Brazil, but not if the white-dominated regimes become involved. Angola is the greatest prize and for this reason officers such as Spínola might support the settlers if it came to continued fighting against one or two of the guerrilla movements. What is clear is that the status quo is rapidly changing. Ceasefires have been offered and arranged, a referendum has been promised, negotiations are currently taking place, and it now remains a political question of international significance how the problems are resolved. Getting out of Africa will save not only the lives of the soldiers but also a vast amount of the national budget, and most businessmen seem to believe that Portugal's future lies in Europe and the EEC rather than in Africa. The strength or weakness of Portugal's image in Africa will be determined only when the soldiers begin to withdraw, particularly if the guerrilla movements are then fighting with the white settlers who might refuse to leave.

The Armed Forces Movement has intentionally set in motion a revolutionary process. So far it has been faithful to its Programme and the population has responded with enthusiasm. But in totally restructuring the socio-political system while at the same time preparing to get out of Africa, they are asking a great deal of the Portuguese people who are not

accustomed to such responsibility. Up to the present their behaviour leaves room for guarded optimism, but if they cannot formulate structures to replace those of the corporative/fascist regime, or if the incredibly complex situation in Africa explodes, then it is likely that there will be an overt military regime rather than a civil government. This regime will probably continue to be progressive and it would certainly be better than what the Portuguese endured during the last half century.

The uncertainty of monetary reform

SIDNEY WEINTRAUB

The disruption of the world economy caused by the energy crisis has faced the IMF with the urgent task of finding effective interim rules of international co-operation. Meanwhile, reform based on stable exchange values has had to be shelved indefinitely.

THERE was a time, a few years ago, when governments hoped that the monetary reform negotiations taking place under the aegis of the Committee of Twenty could be completed in one overall agreement. This, it was then thought, would establish a system of stable, but adjustable, par values, provide for floating in particular situations, institute an adjustment process which was somewhat more certain than that which existed under the Bretton Woods system, involve an appropriate degree of convertibility to impose discipline on deficit countries, and be symmetrical in its rights and obligations as they affected both deficit and surplus countries.

At successive meetings of the Deputies of the Committee of Twenty, an effort was made to come closer and closer to agreement in each succeeding approximation of what the future system would look like. After the annual meeting of the International Monetary Fund at Nairobi in September 1973, a number of technical groups were established to deal with some of the underlying issues involving settlement, objective indicators, a possible substitution account, intervention, resource transfers to developing countries, and the like.

Then something happened on the way to an overall agreement: petroleum prices skyrocketed, on top of other commodities which were already increasing. Inflation began to take priority in the thinking of the key governments involved in the reform negotiations, and this problem was exacerbated by the price increases. It was difficult for countries to think of balance-of-payments equilibrium after the oil price increases in the same way that they thought of equilibrium earlier. Instead, they began to ask themselves how they should adapt to the radical changes which had occurred in the world's payments picture. In lieu of one overall monetary reform agreement, the reform began to be implemented in

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discrete partial steps. To a great extent the market-place led the formers, who found themselves forced to look at the immediate proble and not at the long term.

There have been few times when world economic relations, a domestic economic problems, inspired more uncertainty on the part the policy-makers than at present. It is this combination of factors namely, a radical change in the world balance-of-payments structu fears of inflation, and uncertainty as to the future—that now domina the thinking of monetary reformers. In view of these uncertainties, Ministers of the Committee of Twenty have recognized that implemen tion of their earlier agreement to base the reformed monetary system 'stable but adjustable par values' must be postponed for an indefir period. Under present circumstances, there is no realistic alternative the flexibility currently provided by floating exchange rates. Th efforts to reach final agreement on arrangements under which a par-va system would be re-established—such as convertibility and rules guide adjustment action—have taken a back seat. Attention has now b focused on ways to facilitate the workings of the present floating arran ments, which may be with us for some time.

The work within the Committee of Twenty since January 1974 concentrated on reaching interim agreements to: (i) set up a body oversee the operations of the monetary system; (ii) develop guideli for floating; (iii) avoid use of restrictive measures affecting the curr account as a means of payment adjustment without prior IMF approv and (iv) establish a new system of Special Drawing Rights (SDR) val tion appropriate to present circumstances.

The Committee of Twenty has agreed that a new permanent member IMF Council should be established to oversee the operations the international monetary system. The Council will meet three to f times a year and will have the necessary decision-making powers manage and adapt the monetary system, and deal with major pol problems that arise. Pending the establishment of the Council, its r will be given to an interim committee of the Board of Governors, org ized along the same lines as the Council.

Guidelines for floating and SDRs

With prospects for a widespread use of floating exchange rates the interim period, the Committee of Twenty has been attempting reach a consensus on guidelines for floating. There is general agreem that countries using floating exchange rates should, in their intervent and other policies, follow guidelines and be subject to internatio surveillance. These guidelines for floating would promote exchan market stability and bar competitive depreciation and other polic inconsistent with the interests of the international community. T

icrease in oil prices has aggravated the dangers of such beggar-my-eighbour policies, and heightened the importance of such guidelines. 'o further guard against such policies, the United States has proposed iat IMF member countries do not take restrictive measures affecting ieir current account without prior IMF approval.

Another issue which has taken on a greater priority in the Committee of 'wenty is the valuation of the SDR. It is currently rigidly tied to gold, id linked to currencies via their par values. Thus it is not well suited for se under circumstances of widespread floating. No final decision on DR valuation in the reformed system has been made. However, it has een agreed that during the interim period the SDR should be valued in rms of some weighted 'basket' of currencies, in order to facilitate its se as a means of settlement and a store of value at a time when par values e largely inoperative.

npact of oil prices and reflows of surpluses

The reasons for the drastic effect of the oil situation on the monetary reform negotiations may be better appreciated after a closer examination of its impact on the pattern of world payments. At current oil prices, and given the limited capacity of oil exporters to absorb increased revenues through expanded imports, there will be a radical shift in the current account positions of most countries. The shift for all developed countries is projected to be from a 1973 joint current account surplus of 12·9 billion dollars[1] to a projected deficit of 40 billion dollars. The non-oil producing developing countries will be even harder hit, relatively speaking, with an expected increase in their aggregate deficit from 10·6 billion dollars to 21·5 billion dollars. The oil producers, in contrast, will enjoy an increase from about 5 billion dollars in 1973 to over 65 billion dollars in 1974.

The over 50 billion dollar negative shift in the developed countries' aggregate current account will oblige them sharply to modify their policy aims from their normal expectation of current account surpluses. These surpluses were pursued, in part, to counterbalance the normal net outflows on capital account due to their position as capital exporters or sources of real resources transfers to less developed countries. These developed countries will now be forced to accept current account deficits due to the increased cost of oil, and offset this outflow by becoming capital importers. The duration of this new pattern of world payments is difficult to project. It will depend largely on the future evolution of oil prices and the ability of the oil exporters to expand their absorptive capacities.

The need of developed countries to borrow funds will necessarily be provided by the reflow of oil producer surpluses. These reflows will

[1] Billion = a thousand millions.

result from the need by some oil producers to invest large amounts c funds outside their own countries. This is particularly the case of coun tries such as Saudi Arabia and Kuwait whose domestic investment an consumption needs will enable them to absorb only a fraction of thei projected revenues. The pattern of the reflows will depend on th security and rate of return of investment instruments provided in devel oped countries' capital and money markets. The distribution of th reflows through the international capital markets will inevitably affec the operation of the monetary system, and is an area that will requir careful watching during this interim period.

The excess oil revenues which will flow back to the United States an European capital markets and provide a source of funds for oil consumin countries to borrow may place a heavy strain on these capital markets. T the extent that these funds can be placed in long-term assets and distri buted in rough proportion to the countries' oil deficits, the markets wi function with a minimum of control. But if the funds, which are projecte to exceed 50 billion dollars by the end of 1974, are held in highly liquid form and constantly shifted to protect them against exchange risks and capital controls, there could be serious disruption of these markets.

It is difficult to predict to what extent the distribution of the capital reflows among countries will tend to match oil-related current account deficits which require financing. Existing market mechanisms will probably be able to handle the bulk of the job of allocation adequately. However, it may be that exclusive reliance on private markets would produce excessive movements in exchange rates, and substantial official intervention may be required. While existing sources of official financing are considerable, much interest has arisen in a possible new supplemental IMF facility to help finance oil-related deficits, drawing mainly on direct borrowings from oil exporters. Work on this facility, originally proposed by the IMF's Managing Director, Mr Witteveen, in January this year, has made a good deal of progress, and several oil producers have agreed to lend some of their surplus revenues for this purpose. However, certain problems remain to be worked out before this proposal can be implemented.

The hardest-hit countries

The higher oil prices and changing structure of developed countries' balance of payments hit hardest at the less developed countries, particularly the poorest ones. Many of these countries have historically run a current account deficit, which was financed by inflows through their capital accounts. As pointed out earlier, these deficits will be substantially widened by the rise in oil prices, increasing the need for financing. Indeed, the increase in their current account deficit by over 10 billion dollars is equivalent to all development financing they received in 1973.

Yet, even the maintenance of previous levels of aid and capital flows has been seriously jeopardized by the weakened balance-of-payments position of the developed countries themselves. Borrowing by developed countries to relend to less developed countries may be difficult to accept for many countries already suffering serious balance-of-payments disequilibria. Even if the distribution of capital reflows occurs in a manner which will offset the current account deficits, these reflows are difficult to predict and may make many countries hesitant to give aid under these circumstances.

For their part, many less developed countries will not be able to afford to add to their debt burdens by borrowing large additional amounts at commercial terms. Without substantially increased aid on highly concessional terms, these countries will be forced to divert funds from investment in an attempt to meet the rising costs of current consumption, thus sharply curtailing critical development projects and their overall economic growth. This problem was one of the central issues at the Committee of Twenty meeting in Rome in January, and there was general agreement that maintenance of aid flows was a primary responsibility of all countries. However, it would be unrealistic to expect substantially expanded aid flows from the developed countries, and the response of the oil producers to the needs of the less developed countries has thus far not encouraged optimism that the solution is to be found there. The special IMF oil facility is not likely to make a major contribution to the problems of the hardest-hit less developed countries, since lending terms necessarily must reflect borrowing terms, and the IMF has had to promise the oil producers a substantial return to obtain their funds. The impact of the oil price increase on the less developed countries is providing the most intractable, and perhaps the most urgent, of the many problems arising out of the energy crisis.

Thus, the Committee of Twenty, the body created to work out the new rules governing the international monetary system, ends its work leaving its main task to a successor body. The urgency of adjusting to a sudden and unexpected change in the international economy makes it impossible, for the time being, for countries to gauge the efficiency of the various proposals for reform. Their proposals will continue under study in the new IMF Council but, for the immediate future, the financial and monetary authorities will be quite occupied with the task of finding the appropriate interim rules for preserving international co-operation.

India and the oil problem

R. M. HONAVAR

This study of the impact of the rise in oil prices on India's economy and standard of living illuminates the general problem faced by other developing countries.

THE consumption of petroleum products in India has increased from 3·3 m. tonnes in 1950 to 22·6 m. tonnes in 1972. In 1950 this demand was met almost wholly by the import of products; but by 1960 the three refineries set up by Burmah-Shell, ESSO, and CALTEX were processing a throughput of 6·09 m. tonnes, and the import of products had come down to about 2 m. tonnes. By 1972 the number of refineries had gone up to nine and the throughput to 19·67 m. tonnes. The import of products was under 1 m. tonnes in 1970, but in 1972 it went up to 3·26 m. tonnes.

Most of the crude processed in the 1950s was imported. Although crude oil had been found and processed for a long time in Assam, substantial crude oil production began only in the 1960s with new oil finds in Assam and Gujarat. In 1960 crude oil production amounted to only 450,000 tonnes, but by 1970 had risen to 6·8 m. tonnes and by 1972 to 7·37 m. tonnes. Since consumption was much higher, imports continued to increase simultaneously, rising from 3·03 m. tonnes in 1955 to 5·72 m. tonnes in 1960 and to 11·66 m. tonnes in 1970. In 1972 they amounted to 12·28 m. tonnes, and the estimated increase for 1973 was for another 1·8 m. tonnes.

The impact of oil on the balance of payments can be seen from the following. In 1971–2, out of a total import bill of Rs.18,120 m., oil accounted for Rs.1,940 m. (a little under 11 per cent). There were only two other categories of commodities which were more important, viz. iron and steel (Rs.2,380 m. or 13·1 per cent) and electrical and non-electrical machinery (Rs.3,690 m. or 20·3 per cent). While a large part of machinery and some steel came under aid or under rupee payments, most of the oil had to be paid for in convertible currency. This imposed a peculiar strain on the balance of payments because 21·4 per cent of total exports of Rs.16·070 m. in that year went to the rupee payment countries.

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The role of oil in the economy

The breakdown of the consumption of oil according to products in the table below gives a good idea of the role played by oil in the Indian economy:

Table 1

(000 tonnes)

	1970	*1971*	*1972*
LP Gas	166	202	238
Gasoline	2,308	2,687	2,919
Kerosene	3,262	3,457	3,504
High Speed Diesel Oil	3,735	4,221	4,615
Light Diesel Oil	1,047	1,190	1,383
Furnace Oil	4,651	4,974	5,543
Lubricants	535	563	581
Bitumen	751	948	1,120
Others	1,132	1,248	1,451
Total	17,587	19,490	21,354
Refinery Boiler Fuel	1,147	1,150	1,210
Grand Total	18,734	20,640	22,564

The most important products consumed are diesel oil, furnace oil, kerosene, and gasoline (including naphtha). Though user industry naturally varies according to the product, the most important user sector is transport: most of the high speed diesel oil is used by trucks and buses; railways use about 0·5 m. tonnes; a little over 0·5 m. tonnes of fuel oil is used by the transport industry, mainly for coastal and inland water transport and bunkering of ships; and about three fifths of gasoline is used by cars, buses, scooters etc. About half of the light diesel oil and a small quantity of fuel oil is used in agriculture—mainly in the diesel engines which drive pump sets for well irrigation. The number of tractors in use is still too small to be a significant consumer of oil. Most of the kerosene is used for domestic lighting and for cooking. The bulk of the furnace oil is used in industry. The steel industry, the textile industry, and the chemical industry use about 0·5 m. tonnes each while sizeable quantities are consumed in fertilizers, ceramics and glass, cement, and engineering. The power industry uses 1·3 m. tonnes for generation but the share of such power in the total generated is relatively small. Thus out of a total installed power generation capacity of 18·87 m. kw in 1973–4 only 0·6 m. kw was based on oil. About 1 m. tonnes of naphtha are used in the fertilizer industry.

A projection of the demand for oil products as well as a forecast of their prices is necessary for a study of the impact of oil prices on the Indian balance of payments and on the Indian economy in general. A simple way of forecasting future demand would be to project past trends. Since the Second Plan (1956–61) the compound rate of growth of consumption

has fluctuated between 8·8 per cent and 10·1 per cent; and in the last three years it has been 9·3 per cent. Thus an assumed growth rate of 9 per cent per annum would give a consumption of 38 m. tonnes in 1978.

An alternative way would be to forecast the demand for each product which goes to make up the total and then aggregate them to arrive at total consumption. In the absence of data in regard of an annual series for each of the products mentioned in Table 1, the estimates in the Draft Fifth Five Year Plan provide the best guide. The plan puts the output of petroleum products in 1978–9 at 34·6 m. tonnes. Based on the estimate made earlier, this would mean an import of products of the order of 3·4 m. tonnes, which is somewhat higher than the level of imports in the past few years. It would be more logical to assume that refinery capacity would be increased to eliminate the import of products. The completion of the refinery at Haldia, the revamping of the Barauni refinery, the expansion of the Koyali refinery, and the construction of new refineries at Bongaigaon and Mathura should go a long way towards achieving this. Nevertheless, it may not be possible to reach this goal entirely. For lack of a better way of arriving at the volume of imports of products, a figure of 1·5 m. tonnes can be put down so that total consumption of products amounts to 36 m. tonnes.

The crude oil throughput required to produce 34·6 m. tonnes of products would be 36 m. tonnes because of refinery losses. The volume of imports would depend upon crude oil production in India. Between 1962 and 1972 production of crude rose from 1·1 m. to 7·4 m. tonnes. While there is an exploration programme it is difficult to forecast yields. The Fifth Plan document estimates that crude oil production will increase to 12 m. tonnes by the last year of the Plan. On this basis imports of oil will be 24 m. tonnes in 1978, i.e. an increase of nearly 100 per cent from the level of 12·3 m. tonnes in 1972.

Impact of rocketing prices

The value of 12·3 m. tonnes of crude oil imported during 1972 amounted to Rs. 1,443 m., giving an average price of $2·2 per barrel. The value of 3·26 m. tonnes of products amounted to Rs. 567 m. Since then prices have sky-rocketed and today vary between $8·5 and $11 per barrel for Gulf crude. Although much higher prices have been paid for small quantities of oil from other sources because of certain special circumstances, it would not be unreasonable to say that the bulk now changes hands at these prices.

The important question is whether this level will continue, rise still further, or fall. Those who expect a further rise cite the insatiable demand for oil in the developed world, the relatively small need the oil producing countries in the Middle East have to export because of the fantastic revenue yields at present prices, and the continuing inflation in all coun-

tries in the West, against which the oil producing countries will seek insurance. Those expecting a fall do so on the grounds that the present level will encourage more exploration as well as more substitution of alternative fuels. The latter may not be much of a threat because the present prices are supposed to take into account the cost of alternative fuels. The former is partly based on hope; in any case, it would be difficult to say whether the cost of oil based on offshore production, or shale, or transportation in pipelines over large distances would be any cheaper. Assuming that present prices will continue over at least the next five years and, for the sake of argument, will even stick to the lower end of the range at, say, $9 per barrel, a balance of payments forecast can be hazarded.

A price of $9 per barrel would mean a four-fold increase. The impact can be judged from the fate of India's external accounts in 1972. The total oil bill will go up to Rs.8,000 m. (assuming that product prices will also rise in the same proportion). From being 11 per cent of total imports, oil imports will now account for about 45 per cent of the total. If they were to be related to exports, the proportion before and after the increase could be roughly the same as above. To say the least, this is staggering and implies that Indian exports will have to be higher by about 30 per cent, if the balance of payments picture is to remain unchanged. The impact is even more devastating for 1978. The Fifth Plan assumes that imports will increase at the same rate as exports, viz. 7·6 per cent, giving a total import bill of about Rs. 29,000 m. But this was based on calculation that oil prices would be around $5 per barrel, or about twice the level prevailing in 1972. With oil at $9 per barrel, oil imports alone will cost Rs. 15,750 m. or 55 per cent of the total. The difficulties in the external situation created by this escalation can be seen more vividly in the rough balance of payments given below:

Table 2

		Rs. (m.)		
	1971–2	1978–9		
		(i)	(ii)	(iii)
Imports	*19,936*	*28,900*	*38,710*	*38,710*
of which				
Oil	1,940	5,940	15,750	15,750
Others	17,996	22,960	22,960	21,060
Exports	*15,554*	*27,000*	*36,810*	*27,000*
Trade deficit	4,382	1,900	1,900	11,710
Debt service	4,484	5,100	5,100	5,100
Other invisible transactions	1,218	—	—	—
Gross aid	7,648	7,000	7,000	16,810

(i) *the situation projected by the planners;*
(ii) *the situation as a result of the oil price rise and the solution through a rise in exports;*
(iii) *a solution through increased aid.*

The rise in the total import bill, however, creates serious problems for exports in variant (ii). Exports in 1978–9 will have to be about 30 per cent higher than the level projected in the Draft Plan. The figure in the Plan is based on an export growth of 7·6 per cent per annum, but the current level of oil prices would require the rate of growth of exports to be nearer 20 per cent.

India's past performance (except perhaps in the last two years), makes a 20 per cent annual increase in exports seem unlikely. Although she exports a large number of primary products, none of them belongs to that group whose prices have gone up substantially in the recent past. Items like tea, for instance, do not seem to have benefited much from the recent commodity boom. For jute and cotton textiles the prospect is much rosier than before, but it is difficult to see them as leaders of an export escalation. In engineering goods, leather, and precious stones, an improvement in performance depends more on supplies than on prices. The planners would have naturally taken into account the production possibilities in setting their targets, and the only change the oil crisis is likely to make is in the downward direction.

Option of import and consumption reduction

If export growth of the required magnitude cannot take place, one has to look for import reduction to narrow the gap in the external accounts. The huge gap is based on expectations that the consumption of products will rise to 36 m. tonnes; but given a fourfold rise in the prices of oil and products, it would be more logical to assume a fall in demand, which would benefit the balance of payments. There is a more important consideration however. The estimate of consumption is based on activities in the user sectors taking place as projected; it is related to estimates of traffic likely to be generated, demands from agriculture for irrigation, targets of fertilizer production, capacity to generate power etc. If oil consumption were to go down, the growth targets in the Fifth Plan would have to be given up, which is not desirable. The problem is not to have a viable external account by any means, but one consistent with the postulated rates of growth. This implies differentiating between areas in which a reduction in oil consumption would not affect activity seriously, areas in which activity could be carried on with the use of alternative fuels, and areas in which increased fuel consumption is unavoidable.

A beginning could be made with transport, the largest user sector. It can be argued that in a poor country like India there is hardly any room for personal motorised transport, and that this could be replaced by communal transport, thus bringing about a substantial reduction in petrol consumption. In 1970, out of a total of 1·6 m. vehicles on the road the number of cars, cabs, and jeeps was a 620,000 that of motor cycles, scooters etc. 493,000, and of buses 89,000. The total now might be larger

by 300,000. In the past twenty years or so, with increasing urbanisation, the communal transport facilities in major cities like Bombay, Calcutta, and Delhi have been strained to the limit, and the growth of personal motor transport has been due in part to the inadequacy of public transport. A diminution in the former could be made with considerable improvement in the latter. But motor passenger transport also serves areas without railways and it is estimated that passenger traffic on the roads is expected to increase from 130,000 m. passenger kms in 1973–4 to 180,000 m. passenger kms in 1978–9. A substantial saving in petrol can be effected by organising a better bus transport system, albeit not without balance of payments consequences. Nor would this step be without other minor undesirable consequences: the existing fleet of vehicles such as cars, scooters, and motorcycles will have to be used much less intensively, and capacity established to manufacture them and their ancillaries will have to be left unutilised; facilities for servicing and repairing these vehicles will also remain under-utilised, leading to unemployment and underemployment.

On the other hand, limiting the expansion of the trucking industry is going to be more difficult. While the railways move bulk commodities like coal, iron ore, food grains, oil, cement etc. over long distances, the trucks move manufactured goods over relatively short distances. Truck transport has grown rapidly in India, as everywhere else, because of advantages, such as less handling, door to door movement, lower pilferage, and greater flexibility. It plays a significant part in the movement of food grains from the producing areas to marketing centres, and equipment, fertilizers, pesticides, and consumer goods in the opposite direction. It even competes with the railways over fairly long distances for high value traffic because of its advantages. It is doubtful if one can seriously contemplate a significant reduction of truck traffic in a growing economy. Road movement has a vital function in an economy where the bulk of the population lives in rural areas and agricultural growth plays an important role. What is possible, perhaps, is the elimination of wasteful competition between the two modes of transport—an objective embodied in the Fifth Plan. The railways are expected to concentrate more on the movement of specific bulk commodities between selected points, from which further distribution will be made by road transport. Movement of goods by road will then rise to about 50 per cent of total traffic moved by both modes of transport, compared with 30 per cent in 1973–4. Restricting movement of goods by road would under such circumstances impose a heavy burden on the railways, with other undesirable consequences on the economy in terms of under-utilisation of capacity, unemployment etc.

The railways will be in an even more difficult position. Total traffic on the railways is expected to increase from about 200 m. tonnes in 1973 to

about 300 m. tonnes in 1978. Nearly 60 per cent of this increase will l coal. In terms of tonne-kilometres the anticipated increase may be of tl order of 38 per cent, and it will be greater still if a part of the road traf also has to be diverted to the railways, Also, if a part of the fuel oil used industry has to be replaced by coal, the increase in traffic will be ve much larger, because most of such industry is located at great distanc from the coalfields in Eastern India. Under the Fifth Plan, locomotive cap city is to be augmented by 900 diesel locomotives and 400 electric loc motives. The existing 1,200 or so diesel locomotives, consume about ha a million tonnes of diesel oil. Another 900 would raise the figure to near 1 m. tonnes by 1978. This cannot be avoided because the Governme has stopped the production of steam engines as being inefficient. Th alternative of electrification is not feasible beyond the extent provided fi in the Plan because (i) the capacity to manufacture electric locomotiv cannot be increased quickly in the short run, (ii) electrification of add tional track takes time and resources, and (iii) there will have to b large-scale augmentation of power-generating capacity to meet in creased demand for electric traction. Again, the volume of traffic wi increase because more coal will have to be moved to generate the neede power.

The use of oil in agriculture may not present such a serious problem Since most of it is used for running diesel pump sets for irrigation, th growth of demand will be seriously damped by the rural electrificatio programme. In the Fourth Plan 1,500,000 pump sets were energised t bring up the total to 2,500,000. Another 1,500,000 pump sets are pro posed to be energised under the Fifth Plan. The diesel engine industr has already been feeling this impact for several years, and this trend i likely to continue.

In industry the problem may not be so easy. Fuel oil is used to generat about 600,000 kw of power in Trombay, Sabarmati, Dhuwaran, an Barauni out of a total of 18·87 m. kw. In addition, small quantities ar used in the innumerable diesel generating sets that have been installe in the wake of the power famine experienced in 1972–3. While the latte may not use oil as the situation has now improved, the former will con tinue to use it either because conversion is not possible or because requires shutdowns for long periods, which the economy in those region cannot afford. While the demand for oil in the power industry may n increase, it will not go down either. For other industries, the replacemen of oil by coal is possible, It will mean more investment and a certa interruption of activity during the process of conversion from oil to coa firing. It will also mean an additional movement of coal—probabl another 10 m. tonnes—from the coal mines in Bihar to the West and th South, with greater investment in wagons, locomotives etc. The problem is more serious for those industries, such as steel, ceramics, and glass

where, because of the poor quality of coal, oil is used to boost temperature. A reduction in the use of furnace oil will be possible only if good-quality coal is available. Since the ash content of Indian coal is high, this will imply large-scale investment in coal washeries. Despite these observations, this is an area in which the increase in oil consumption can definitely be contained.

In one industry, however, this is neither possible nor desirable—fertilizers. The current consumption of naphtha is about 1 m. tonnes. Fertilizer projects under implementation will need a little over 1 m. tonnes of naphtha and 150,000 tonnes of fuel oil by the end of 1978. The new plants to be set up under the Fifth Plan will all be based on fuel oil, the requirement of which may be about 0·5 m. tonnes. Changes in the programme under implementation may not be possible now because of the work already done, but they will have to made possible in the future. India has three coal-based fertilizer plants under construction. The change in the price of oil makes them far more attractive propositions now. However, while the switch may be possible with regard to new projects, India may have no alternative but to carry on with those under implementation because of her urgent need for fertilizer.

Finally, we come to kerosene which is consumed almost entirely as a cooking fuel or as an illuminant. While rural electrification will limit the increase in the demand for kerosene as an illuminant, it will not altogether eliminate it. By the end of the Fourth Plan (March 1974) the number of villages electrified was 140,000 and in the next five years this figure will go up by another 110,000. Even then, more than half the number of villages in the country will be without electricity. Moreover, in the electrified villages not all can afford the investment in wiring needed to replace kerosene. Therefore, it would be logical to assume a small rate of expansion in this area of consumption because rural prosperity will be continuously increasing under the development programmes envisaged. On the other hand, the demand for kerosene as a cooking fuel will increase rapidly because of urbanisation. In the larger densely populated cities, kerosene is fast replacing every other fuel for cooking, because of its relative cleanliness and convenience. This tendency will be accentuated with the greater urbanisation and increased prosperity among the working classes and the relative expensiveness and scarcity of cleaner fuels like propane gas. Thus, unless efforts are made to regulate consumption through a greater availability of alternative fuels like coal and coke, the demand for kerosene is bound to go up.

To conclude, the task of holding down the consumption of oil products seems very difficult, particularly because non-essential use of oil in India is so small. With heroic effort it may be possible to bring about some reduction in consumption in passenger transport and the domestic consumption of kerosene. It will be difficult to achieve the same in the

immediate future, without a serious adverse effect on economic growth in transport, power, and industry. The long-term adjustment to a heavier reliance on alternative fuels will require large additional investment in the coal-mining industry, the railways, and power generation. A precise calculation is difficult, but some idea of the magnitude can be gained from the fact that an expenditure of Rs.4,000 m. on mining machinery is required to increase the output of coal by 60 m. tonnes in the Fifth Plan period; if the output is to go up by another 20 m. tonnes it will be proportionately higher. Similarly, railway investment of Rs.10,020 m. in rolling stock and electrification of track geared to a coal target of 140 m. tonnes, among other things, will have to be stepped up substantially, and investment in power generation will also have to be increased. In addition, a fair amount of expenditure is needed to convert oil-fired into coal-fired furnaces in a large number of industrial enterprises. And it is by no means sure that this could take place without affecting the balance of payments.

Cannot an alternative, less oil-intensive, pattern of growth be envisaged? Since each Plan grows out of the previous one, the freedom to manœuvre may be rather limited. Secondly, the alternative has not merely to be less oil-intensive but has also to produce the same rate of growth (because of the current level of poverty and the growth of population). This may again imply a relative lack of freedom. Perhaps there is really no answer to this problem and India may have to settle willy-nilly for a slowly growing economy, because she cannot pay the oil bill associated with higher rates of growth.

Support for balance of payments

If imports cannot be held down to any significant extent and if growth is not to be affected adversely, the only solution is to have balance of payments support. The strain on the balance of payments caused by rising oil prices could be eased in several ways. One would be to increase the volume of developmental assistance which India receives. This, however, is not going to be easy, given the dimensions of the problem. If we assume that no significant reduction in the oil bill is possible, and that exports increase only at the rate of 7·6 per cent per annum, the volume of assistance will have to be Rs.16,810 m.; if we assume that oil imports can be cut by 10 per cent, the volume of assistance needed will be Rs.15,235 m.—that is, higher by about 140 per cent and 115 per cent respectively than the level assumed in variant (i), Table 2. Considering that the amount of assistance India receives from the Consortium and other countries has been declining continuously in the past, such a large increase seems most unlikely. Secondly, since most of the donor countries will themselves have balance of payments difficulties due to higher oil prices, it might be unrealistic to assume that an increase in aid of this

rder will materialise. Also, as other developing countries will be wanting nore aid for the same reason, increased aid to India might seem doubtful. t must be emphasized, however, that in terms of net assistance the figure s not really large.

Another way of bridging the payments gap would be to reduce the mpact of oil prices directly. This could be done by the producers either elling oil at a preferential price to developing countries, including India, r agreeing to receive a part of the payment in instalments over a long eriod. The first option has not found favour with the producers on the rounds that switching can be easily practised, and that since, so many f them are involved, the burden may fall on particular producers. While he first objection is not serious, the second one is: for example, the bulk f the oil imported by India comes from Iran; and Saudi Arabia is the ext largest supplier, followed by Iraq. Along with differential pricing, ome burden-sharing formula may, therefore, have to be evolved. This is ot going to be easy, because oil producers differ regarding production, eserves, import requirements, and policy objectives.

The deferred-payment arrangement is also to some extent subject to he same objection, with the difference that the burden is so much less ecause repayment is involved. Since the increase in the price of oil is n part to protect the producers against inflation in the countries from vhich they import goods, some protection of the value of the loan may ave to be devised.

Help from oil producers?

Another much talked of device has been the setting up of a develop-nent assistance agency from funds accruing to the producers. This is ssentially a proposal which will take time to be effective. The getting ogether of the necessary personnel, evolving of the proper lending olicies and terms etc. would take a fairly long time, whereas the need for ssistance is immediate. Nor would it be easy to relate the amount of ssistance that would become available under any given criteria to the equirements based on imports of oil. Since so many countries are in-volved, the task of setting up a smoothly functioning agency in a short ime is not going to be easy.

A variant of this would be to persuade the oil producers to buy the onds of existing development agencies like the IBRD and the regional development banks. Certain special arrangements will, however, be necessary. Since protection from inflation would be an important re-quirement of the producers, some kind of guarantee about value will have to be given. Secondly, since most developing countries—and certainly India—cannot afford to pay commercial rates of interest on loans of the magnitude mentioned above, an arrangement will have to be devised, by which the difference between the low rates of interest, which India needs,

and the commercial rates, which the producers would want, is made good. Serious thought will have to be given to the setting up of an interest equalisation fund. Although the last idea has been propounded for some time, it has not found acceptance on the part of developed countries which would ultimately have to contribute to such a fund. It is difficult to say whether a change in their attitude will take place under the present circumstances. Perhaps it would, because they will be required to contribute much less than they would have to if they were to bear a fair share of the increased aid requirements on account of higher oil prices.

There is no doubt that international co-operation to the highest degree is essential if the developing countries without oil are not to be forced to the wall as a result of the oil crisis. The best solution seems to be a deferred payment arrangement. It has the following advantages: as it is between a single consuming country and two or three suppliers, terms, conditions guarantees can be worked out relatively easily; it is related to the oil deficit of a country and not to any differently based criteria; it generates a stream of incomes which the producing country can profitably use at a future date when oil is exhausted or is not as plentifully available. It has the disadvantage that unless really long repayment periods and relatively low rates of interest are provided for, the burden of debt service will be unbearably large on developing countries.

India and the Eurodollar market

Since a large proportion of the funds which will be in the hands of oil producing countries is expected to find its way to the Eurodollar market, could not India alleviate its balance of payments difficulties by borrowing from this market? In the past couple of years borrowings by developing countries on the Eurodollar market have shown a sharp rise. This means that the funds in this market are going into development finance and that some of the barriers which existed in the way of lending for a long term do not exist any longer. This, however, does not make it a suitable source of funds for a country like India. The borrowers till now have been countries considered to have excellent repaying capacity, either because they have valuable resources or because the sum involved in each case was relatively small. If India were to enter the Eurodollar market, the borrowing would necessarily have to be large. It would be doubtful if the market would view this favourably because of the large burden of existing debt, Also, India's circumstances would require the raising of large loans every year in the next few years.

From India's point of view the Eurodollar market has certain serious disadvantages. The rates of interest which will be payable, being market rates, will appear unbearably high considering that most of the current assistance is available at very low rates. Secondly, it would create even

ıore serious debt service problems in the years to come. Already the ıtio of debt service to exports is near 25 per cent, which is widely ·garded as the safe limit. If to this is added the servicing of a large ɔlume of debt at high rates and for relatively short periods, an almost npossible situation may be created. The attempt may only give India very costly short term reprieve.

Argentina's quest for stability

DAVID ROCK

The restoration of Peronism can be seen as an attempt to ward off the forces of the Left, but the success of this venture is not assured.

To anyone acquainted with Argentina's recent history, General Perón triumphant return to the presidency last October is a remarkable revers of fortunes. As a journalist recently put it, 'For eighteen years the countr trembled at the prospect that Perón might return; now it trembles fc fear that he might leave'. Between 1955 and 1973 Argentina was cor trolled by groups violently opposed to Perón, and the dichotomy betwee Peronism and anti-Peronism was the central thread of Argentine politic Whenever attempts were made by minority elected governments to se(Peronist support, or to end the movement's proscription, the Arm invariably intervened with a coup d'état. The old enmities now seem t have been superseded. Peronism has been rehabilitated to the poi where Perón himself is widely regarded among the groups formerly mo bitterly opposed to him as Argentina's de Gaulle, a focus of hope for a escape from the past and for a new era of stability and development.

Argentina shares with much of the rest of the Third World an extren susceptibility to political instability. This is in large part an expression the iron dilemma of development: investment as against consumptio accumulation as against distribution, responsibility to the present gener tion as against the obligations to those in the future. Similarly, Argentir must confront a common and central barrier to development—unrealiab demand, prices, and markets for her farm exports, upon which res a large part of the burden for securing the necessary imports of capit goods for industry. She also has a third problem, which again is famili throughout the non-Socialist world: the degree to which the creation of modern industrial society involving the transfer of technology fro abroad is compatible with national sovereignty and with a political viable and socially acceptable pattern of income distribution and ba anced development.

Apart from these similarities with many other parts of the worl Argentina has certain marked peculiarities which give her politics a extremely complex flavour, and help to maintain the country in a state

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perpetual unrest and dissension. Although she is internationally recog-
nized as a developing country, the size and sophistication of her industrial
sector at present bears comparison with that of developed countries. She
also has an advanced and highly complex social system, analogous in
more respects to the British White Dominions than to a typical Third
World nation. The country is among the most highly urbanized in the
world, in spite of the continuing importance of the agricultural sector.
In the cities, despite the presence of the familiar Latin American shanty-
own 'marginals', there are large and highly developed middle- and
working-class groups. These have played an important part in politics
or the last seventy years. Argentina thus has a very rich political tra-
lition. Her political parties, if often weak and fragmented, effectively
epresent the great bulk of the population. Finally, the Argentine trade
union movement is among the most powerful in the world.

The great oddity about Argentina is therefore the disjunction between
ıer half-developed and ill-balanced economy and the extreme modernity
of her social system in terms both of its structural differentiation and of
ts dominant patterns of consumption. This leads to a situation where the
ery highest premium is placed on rapid economic development so as to
romote rapid social mobility and access among large groups of the
opulation to the most advanced and modern schedules of consumption.
ıny slowing in the rate of growth is likely to prompt, over a very short
eriod of time, outbursts of dissatisfaction and expressions of social
train with potentially radical effects at the political level.

The structural and cultural characteristics of this urban civilization
were reinforced historically by the country's high average standards of
ving. Before 1950 Argentina was among the top ten nations in the world
ı per capita income levels; this illustrated the wealth generated by the
raditional primary exporting economy. But since that time the country
as suffered from a marked slowing in the rate of growth interspersed
with recessions and stop-go cycles. In this respect Argentina's past
xperience is vividly illustrative of the pressures and conflicts to which
emporary stagnation or slow growth can give rise in a socially and
ıstitutionally advanced community of this sort. Only during the past
ew years have there been signs, not all of them thoroughly convincing,
ıat the incubus of stagnation has finally been dispelled.

The vagaries of the economic cycle, and the conflicts emerging out of
ttempts to escape them, largely explain what has happened in Argentina
uring the past generation, and what is happening there at present. The
emoralizing effects of slow growth, coupled with the consumption
spirations of Argentina's urban sectors, have engendered something of
siege mentality. This has underlain the violence and anarchy of con-
emporary Argentine politics, and it has helped to make the country one
f the most highly politicized in the world. It has also made it one of the

most unstable. During the past twenty years there have been six coups d'état, and no less than twelve different presidents.

Pattern of economic crisis

The roots of Argentina's present political situation may be traced back to 1943 with the military coup which paved the way for Perón's rise to power. During the Peronist presidencies, 1946–55, there occurred a massive process of political mobilization through the trade unions. This was coupled with rapid development and diversification of the industrial sector. However, the dynamism of the industrial boom came to an end as early as 1949, coinciding with the collapse of the post-war boom in Argentina's agricultural exports. The fall in exports led to a succession of balance-of-payments crises, which, by preventing imports of vital capital goods, pricked the bubble of industrial development. In the resultant depression during the second half of the Peronist period, there were significant falls in living standards. These had a severely dislocative effect on social relations, and they underlay Perón's fall in 1955.

This pattern of economic crisis, coupled with rising inflation and acute expressions of class conflict, continued to be the dominant note of the years that followed. There were some temporary but unsustained improvements in export earnings, but they were always followed by catastrophic collapses when import capacity diminished and income distribution was subjected to severe oscillations following devaluations. To these critical social and economic problems was added the running sore of political frustrations among the still Peronist working class. During Perón's exile from 1955 to 1972, the working class was effectively proscribed from political participation, and it became the victim of a succession of economic policies which aimed to restrict working-class consumption. Similarly, the economic crisis was largely responsible for the succession of military coups which marred these years, and for the virtual collapse and atomization of the political structure.

Beginning in the late 1950s under President Frondizi, an attempt was made to escape the constraints of economic stagnation and to resume the programme of industrialization by negotiating for large infusions of foreign capital. The resultant creation of a foreign-owned new industrial sector had several important consequences. The establishment of a large number of foreign subsidiaries seriously undermined the position of domestic industrial firms which had been dominant up till that time. As a means of attracting foreign investment, a succession of governments in the 1960s introduced so-called stabilization plans to hold back the rate of inflation. But the most common result of such policies was a period of acute recession, which bankrupted many domestic producers. Others among this group found themselves, as the foreign sector expanded, reduced to a subordinate and satellite status, forced to depend on foreign

companies both for their profits and for their survival. By the late 1960s these trends towards structural readaptation and change in the industrial sector resulted in a series of campaigns against 'monopoly imperialism'.

The advent of foreign capital also brought important changes in the structure of the work-force and the trade unions. The introduction of capital-intensive technology reduced the rate of absorption of labour into industry, and thus encouraged unemployment. At the same time it fostered the emergence of an aristocracy of labour working for foreign subsidiaries. Thus the working class, which hitherto had remained fairly homogeneous, was divided increasingly into three groups—the aristocracy of labour, the 'old' working class engaged in the domestically-owned industrial sector, and finally the 'marginals', who remained either unemployed or came to swell the ranks of a growing tertiary sector.

The 1969 events and their aftermath

This important redefinition of the urban social structure eventually spilled over into politics in a series of highly dramatic events. In 1967 the military government of General Onganía supported a stabilization plan largely in favour of foreign capital interests. For two years the Government managed to hold down dissent among working class, student, and domestic entrepreneurial groups. However, beginning in May 1969, there was a series of spontaneous urban insurrections directed against the Government's policy.[1] The most notable occurred in the city of Córdoba, and became known as the *cordobazo*. On several occasions students, workers, and some middle class groups battled with troops and police in the streets. This sudden spate of defiance against the military Government proved to be the central turning-point of Argentina's recent political history. It rapidly isolated the Army and raised the spectre of civil war. In 1970 and 1971 it helped to precipitate two coups within the military, which finally brought General Alejandro Lanusse into the presidency. It was he who in 1971 announced elections for March 1973, as a result of which Juan Perón eventually resumed power.

The events between the first outbreak of revolt against the military Government in 1969 and the decision to call elections were further complicated by the parallel appearance of a number of leftist guerrilla groups, some of them Peronist, but the most important being the Trotskyist People's Revolutionary Army (ERP). The military Government was confronted by two alarming possibilities: first, that insurrections would suddenly engulf the city of Buenos Aires and from there fall out of control, and, secondly, that the New Left, composed of the guerrillas and their sympathizers, might establish their own leadership over the popular

[1] See Ezequiel Gallo, 'Argentina: background to the present crisis', *The World Today*, November 1969.

revolt. The decision to call elections was calculated with these dangers in mind. The current of popular unrest was to be institutionalized by bringing it within the formal political system, where it could be controlled more easily. Also, elections offered the possibility of isolating the New Left groups by giving the established political parties the opportunity of widening their support within the general population. In effect, Lanusse mobilized the political parties in his support with the promise of a return to constitutional government. Simultaneously he carried out a root and branch campaign against the Left. As time passed in 1971 and 1972, this struggle became increasingly embittered. The guerrilla groups carried out a number of kidnaps and assassinations of prominent public figures. The Government replied with a spate of repression which included institutionalized torture and the murder of suspects.

It was a reflection of the critical level the situation had reached that when Lanusse announced elections in 1971 he explicitly included the Peronists in his appeal to the political parties, and thus ended their proscription. Clearly Lanusse and his more astute advisers regarded the repression of the Left and the curbing of popular revolt as more important objectives than the ostracism of Perón and his followers. Their move marked a recognition that, in spite of the divisions between Peronists and anti-Peronists, the challenge of the Left was much more fundamental; Peronism could act to shore up the existing order and serve as a barrier against the threatened unity between the guerrillas and the popular insurrectionaries.

In 1972 these objectives were largely achieved. The popular revolts gradually petered out. The immediate threat from the guerrillas subsided. At the same time there occurred a massive switch of popular support in favour of the Peronists. This included a diverse amalgam of groups. There was first a major inflow from the Left into what became a new section of the Peronist movement, the Peronist Youth, a group which came to straddle non-Peronist infiltrators from the Left and a number of radical Christian groups, as well as the more moderate younger members of the party's rank and file. Similarly, the Peronists won support in the Centre, from domestic entrepreneurs and middle-class groups. Some time later they also gained the backing of major establishment groups in industry and commerce, many of them on the right of the political spectrum, who came to feel, like Lanusse, that a popular mass movement such as Peronism was their best protection against the Left. Finally, the Peronists re-established full control over their traditional source of support in the trade unions.

The March and October 1973 elections

Originally, Lanusse had hoped to keep the Peronists in a subordinate role in a coalition of parties controlled by the military Government. As

Perón's support grew, however, Lanusse's bargaining power receded. The Peronists took part in the 1973 elections on their own ticket. supported by a number of the smaller parties. Only in one respect had Lanusse managed to mitigate the objectives of the Peronists, and this came with his successful ban on Perón's own candidature for the presidency. Instead, in the elections of March 1973 the Peronist candidate was Perón's confidant and personal representative in Argentina, Dr Héctor Cámpora.

The result was a foreseeable Peronist victory, and in May Cámpora was sworn in as President. Nevertheless, his Government lasted for only a few weeks. Once in office, Cámpora, clearly in obedience to what he thought were the sympathies of his mentor, began to pursue a radical nationalist programme, aimed at finally winning over the still active leftist guerrillas, and broadly consistent with the aims of the Peronist Youth. This programme immediately showed signs of precipitating divisions among the Peronist movement, along the lines of radicals and moderates. The confused situation clearly threatened the aims of the conservative groups which had supported a return to constitutional government in March, and yet another military coup seemed the most likely outcome.

At this point Perón publicly withdrew his support from Cámpora, who promptly resigned, and the Government was temporarily vested in the President of the Chamber of Deputies, Raúl Lastiri, until new elections could be held. Perón emerged once more at the centre of the political arena. He had already briefly returned to Argentina at the end of 1972; now in the middle of 1973 he returned to stay. When the new elections were held in October, Perón won over 60 per cent of the popular vote and was able to assume office immediately. He became the fourth president in the space of six months.

If the final end to the proscription of Peronism had come about as a result of fears of the Left, this same fear underlay Perón's unforeseen return to the presidency. This time, however, much of the struggle with the Left had become a struggle for supremacy within the Peronist movement between the Peronist Youth and the rest, and to some extent within the Peronist Youth itself. Similarly Perón's own commitments were now becoming apparent. In years past he had posed as the great exponent of the *tercera posición*, an early formulation of the principles of international non-alignment, anti-imperialism and aggressive nationalism. After Cámpora's resignation, he became President in a sense to prevent these ideals from being transformed into public policy, or at least to exorcize them of any practical meaning. From any radical perspective Perón could be seen only as the last gamble of the *ancien regime*, as a sort of pseudo-concession to prevent the pace of change accelerating out of control.

Peronism today

The course of Perón's presidency so far has largely tended to be out this hypothesis. Perón immediately committed himself to a pro gramme of 'national reconciliation', identical in most respects to th ideals set by Lanusse two years previously. It soon became evident th Perón was more concerned with retaining the trust of the other politic parties and other segments of the traditional power elites than with h relationship with the radical elements of his own movement. The ke note of the new Government from the start was its struggle to estab lish and maintain a level of political consensus which would depri the revolutionary Left of any traces of its former support. The multip conciliation of different groups was evident in the Government's tr ennial economic plan, which called for a rapid expansion of the housin programme coupled with industrial development, essentially along th lines of the past. Conciliation did not extend, however, to embrace the Left. In February 1974, there was a guerrilla attack on a military base in the province of Buenos Aires. Perón denounced the attack and sought congressional authorization for modifications to the Penal Code to allow the police wider powers in their campaign against the guerrillas. The Peronist Youth opposed this on the ground that it marked a resumption of the procedures of the late military government. From then on relations between the President and the dissidents deteriorated to the point where the party seemed geared for a major purge of its left-wing elements. A ban was imposed on one of the main press organs of the Peronist Youth, and in the mass meeting in Buenos Aires on 1 May Perón attacked the Left openly, and called upon the Peronist Youth to elect new leaders. At the end of the month he presided over the expulsion of the Peronist youth from the executive committee of his party, on which it previously had 3 out of 16 seats.

The crisis continued into June. The Peronist Left attempted to resist its expulsion, but Perón replied with a threat of resignation which proved sufficient to mobilize the party's rank and file in the trade unions solidly in his favour. The Government offered its resignation to the President; its full and immediate reinstatement suggested that Perón was still determined to carry out this policy, and fully confident of being able to do so. This would suggest a further serious weakening of the party's left-wing element.

In several respects the situation in 1974 recalled that in 1946, when Perón had first been elected to the presidency. On that occasion, too, having won the election, he began a purge of his political following to ensure his control over it. Similarly, the emphasis in 1974 was on rapid development tempered with social justice, although by this time the heavily sectarian and authoritarian bias of the 1940s had disappeared. But perhaps the most significant similarity, and the one which largely

xplains the rest, lies in the general economic context in which Perón ook power. As in the post-war period, Perón took power in 1974 in a very vourable economic context of boom demand for Argentina's primary xports. This reflected the impact of the 1973 world commodity boom n Argentina's foreign earnings and balance-of-payments position: the ear ended with one of the largest balance-of-payments surpluses on ecord, and in a mood of dynamism and growth, which greatly helped heck inflation. It was this which made Perón's programme of class conciliation and political co-operation between previously antagonistic roups feasible. It became possible both for entrepreneurs to maintain he level of profits and for workers to increase real wages simultaneously. This was very much the situation of the late 1940s.

Consequently, in his public speeches Perón was able to claim major uccesses for his economic and social policies. Real wages were said to ave risen by between 20 and 25 per cent in 1973, and unemployment to ave dropped sharply; boom conditions in the economy allowed the udget deficit to be reduced without any parallel reduction in state investment. The sudden spurt in the economy thus proved, as in the 1940s, the est possible guarantee that the Government's populist measures would be uccessful and gradually eliminate the class confrontations, which have een the main feature of the past twenty years.

However, a closer reading of the situation suggests that these may be emporary, and possibly ephemeral, achievements. By the middle of 1974 here were signs of a downturn in world commodity prices. Argentina ould well suffer from this because in 1972 and 1973 much of her beef tock was liquidated in response to high prevailing prices. A situation ould develop therefore where a fall in export volumes coincided with a ll in export prices, with disastrous effects on export earning. At the ame time the import bill is likely to rise steeply as a reflection of higher il costs and the rising prices of capital goods, and as a result of the re-uilding of stocks. Conceivably this could lead by 1975 or 1976 to a evere balance-of-payments crisis, similar to those which have afflicted e country in the past. There were also signs of pent-up inflationary emands as a result of the Government's attempt to hold back prices hile increasing wages. This led to the emergence of a black market and iced the Government with the difficult choice of abandoning its anti-nflation policies at the cost of the workers, or risking the defection of ndustry by further authoritarian attempts to hold back prices.

Any major recession would seriously threaten the stability of the eronist Government by quickly dissipating the atmosphere of political econciliation and class harmony which favourable economic conditions ave helped to build up. It could well repeat the experience of the early 950s when Perón eventually fell foul of the incompatible aim of protecting working class standards of living while maintaining the support of

major power groups like the Army and the industrial sector. It woul seem likely therefore that the question of incomes policy might becom the Government's foremost preoccupation in the future. Events in th recent past and Perón's own former experiences do not encourage an great optimism on this count.

Another potential problem lies in the Government's policies to increas exports of industrial goods. Given that this is the objective also of othe Latin American countries and indeed of the developed countries, i *could only be successful by a rigid control of production costs* and, i particular, wages. The difficulty lies in the fact that many of the mos militant sectors of the trade union movement are in those branches o industry where it is hoped export markets could be developed. This coul well trigger the same sort of pressures which became apparent in 1969 In a wider sense, one might ask how a commercial strategy of this sor can be reconciled with a commitment to the redistribution of wealt and improvements in working class standards of living.

There is also the thorny question of the relations between the foreign and domestic sectors of industry. It remains to be seen whether Perón has anything significantly new to offer on this issue. So far, policies have aimed to maintain the flow of foreign investment and technology, but to favour European rather than American capital in the hope of improving Argentina's bargaining power, and in order to take advantage of potential rivalries among different investors. But whether over the longer term this can assist the national business groups and avoid the demoralizing effects of industrial concentration is still an open question.

Thus amidst the successes claimed by the new Government—its weakening of the Left and its strengthening of the social compact between unions and employers—there are indications of problems to come. The matter is further complicated by the question of the succession to Perón. It seems difficult, if not impossible, to envisage Perón's wife, Isabel, the Vice-president, taking over from him for any length of time. If the succession crisis were to coincide with other major economic and political difficulties, the outcome would be impossible to predict. But Argentina might then undergo a profound realignment of political forces, in a situation in which a new radical popular movement might well emerge, and the country undergo even greater levels of conflict.

CORRIGENDUM

In the June 1974 issue, p.232, fn. 2, the name of M. Edmond Michelet was given in error instead of that of M. Christian Fouchet.

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Note of the month

THE MOSCOW SUMMIT AND ARMS CONTROL

PRESIDENT Nixon's visit to the Soviet Union, which ended on 3 July, contributed to the co-operation between the two states in a number of fields; but on the central issue of arms limitation the results were of questionable value, and became the subject of criticism from other states. On this occasion—in contrast to the situation during the October 1973 Middle East war—the criticisms were not mainly from the European Nato members. The latter had been the beneficiaries of that alliance consultation which had been preached at the Nato Ottawa meeting and then practised, if incompletely, in Brussels at the end of June by President Nixon, his ubiquitous Secretary of State Henry Kissinger, and their counterparts from other Nato states.

There was one point in the US-Soviet negotiations which caused some alarm in the West when the final communiqué was issued in Moscow on 3 July. On the subject of the Conference on Security and Co-operation in Europe, which has been making very slow progress in its Geneva meetings, the two super-powers 'expressed themselves in favour of the final stage of the conference taking place at an early date. Both sides also proceed from the assumption that the results of the negotiations will permit the conference to be concluded at the highest level. . .' On the surface, this seemed to be an acceptance of the familiar Soviet position that the conference should end soon with a meeting of heads of states, and thus to represent an abandonment of those who have been pressing for some agreement on the complex and touchy issue of freer exchange of people and ideas. It is indeed true that the Nixon Administration has not stressed the issue of individual freedoms publicly in its negotiations with the Soviet Union over the last few years, nor did it do so during this latest summit. No one would be totally surprised, therefore, if the US representatives were to soft-pedal this issue at the Conference on Security and Co-operation in Europe. There is as yet, however, no firm evidence that the Americans are so anxious to conclude the Geneva deliberations that they would force their European allies to drop the complex of proposals in 'basket three', which deals with freer exchange. Although there are now increasing West European doubts anyway about pressing too hard too publicly on these matters, the American conduct after the Moscow summit provided some reassurance that no sudden ultimatum

to the conference to wind up or give up was intended. Dr Kissinger, in Brussels after the summit, claimed that the United States had not given any definite commitment on this matter.

In the field of arms limitation the summit had three main results: the promise of a new ten-year agreement on the limitation of offensive nuclear weapons, to be concluded, hopefully, in 1975; a Treaty on the Limitation of Underground Nuclear Weapons Tests; and a new protocol to the 1972 Treaty on the Limitation of Anti-Ballistic Missile Systems. These results are not likely to place a serious brake on the arms race, and in certain respects they represent a distinct retreat from earlier and more optimistic forecasts.

This retreat was most marked in the decision to leave a further limitation on offensive arms to be negotiated 'at the earliest possible date, before the expiration of the interim agreement'—in other words, before 1977. This represented an abandonment of the commitment which Nixon and Brezhnev had made on 21 June 1973 in their agreement on 'Basic Principles of Negotiations on the Further Limitation of Strategic Offensive Arms'. There they had said that 'over the course of the next year the two sides will make serious efforts to work out the provisions of the permanent agreement on more complete measures on the limitation of strategic offensive arms with the objective of signing it in 1974'. Now the deadline has been dropped, and the idea of a permanent agreement also.

Various reasons have been advanced for the failure to reach the much-heralded permanent agreement on strategic offensive arms. There have been suggestions that the Soviet leaders are reluctant to commit themselves too deeply with a President in as weak a domestic position as Nixon; and that the Soviet Union is anxious to exploit the interval before a new agreement to fit her intercontinental missiles with multiple warheads. But there has also been a more fundamental difficulty in the negotiations on strategic arms limitation, that of monitoring reliably the deployment of multiple warheads. These warheads are widely recognized to be destabilizing strategically, since their general adoption must lead to each side having far more nuclear offensive weapons than nuclear targets: a situation in which there would be some increased temptation to threaten a first-strike nuclear attack. The control of these warheads—by strictly limiting their number—was always seen as a principal aim of the strategic arms limitation talks, but it was also very hard to achieve.

Indeed, the best device for slowing down the super-power arms race, and for limiting the development of multiple warheads in all their various forms, has for a long time seemed to be a ban on underground nuclear tests. Unlike the deployment of these weapons, their development by testing was likely to be detectable by purely national means: hence the interest in banning tests in an environment in which in all other respects they do little or no serious damage.

However, the treaty on underground tests signed on 3 July in Moscow is so limited that it is unlikely to act as a serious restraint on the further development of multiple warheads or other forms of nuclear weapon. It bans all weapons tests with a yield exceeding 150 kilotons, starting on 31 March 1976. In the meantime, testing of larger weapons underground can continue. The limit of 150 kilotons is high. As long ago as 1963, in evidence to the Senate Preparedness Subcommittee, William C. Foster, then Director of the US Arms Control and Disarmament Agency, had referred to a 'cheater's threshold' of three kilotons, above which there would be a high probability of an underground nuclear test being detected. Since that time there have been significant advances not only in seismological detection methods, but also in techniques of detecting underground nuclear tests from satellites. The Vela Uniform satellites launched by the United States gave some results in this field, and the evidence is that means of detection have advanced much faster than means of evasion.

The 150 kiloton limit will not in fact greatly hamper the nuclear test programme of the two parties. The tendency has in any case been to conduct tests of less than 150 kilotons, for two reasons: first, the danger of a larger explosion underground leading to venting into the atmosphere or to earthquakes; secondly, the nuclear warheads now in vogue are relatively small and light, in order to be accommodated in multiple re-entry vehicles, and do not need a very large yield because the means of delivery are numerous and reportedly accurate. In 1973, of a total of twenty-three underground tests conducted by the United States and the Soviet Union, only three were clearly above 150 kilotons.[1]

At his briefing session on 3 July, Dr Kissinger was asked whether the underground test ban might not have been more complete, and his reply included the interesting statement that 'the Soviet Union has been proposing a complete test ban, but under provisions that are unverifiable and with escape clauses which would make it directed clearly against other countries'. Dr Kissinger's use of the term 'unverifiable' ignores completely those national means of detection with which he has been content to monitor other arms control agreements: but the reference to the Soviet proposals on escape clauses suggests that the failure to achieve a really serious underground test ban may not have been due exclusively to the traditional US reserve on this matter. Dr Kissinger did argue that there might be one tangible benefit from this agreement—namely that it might impose a 'limit to the number of warheads of large yield' which the Soviet Union could put on its SS-18 missiles. With more testing, he suggested, they might have been able to get more (but lighter) large-yield warheads on each missile. Whether the Soviet Union will be

[1] Provisional figures from Stockholm International Peace Research Institute, *SIPRI Yearbook 1974*, p. 499.

seriously restrained in this way is doubtful, not least because of the possibilities of exploiting the period of over eighteen months before the treaty comes into force.

The agreement that each party will construct only one anti-ballistic missile complex has been widely recognized for what it is—a codification of reality. Neither party had more than one such system anyway, although both had a few minor deployments of anti-ballistic missiles in other locations. These deployments are to be dismantled in accord with some secret agreements which have apparently been concluded, and which will in due time be making diplomatic history as the first secret agreements ever to be signed publicly.

The strictly limited character of all these developments suggests a number of tentative conclusions. First, that the great series of agreements on arms control which began in the early 1960s may now be losing momentum. Second, that relative strategic stability between the US and the USSR, due to concentration on forces of a second-strike character, may be coming under increasing stress. Third, that the nuclear super-powers, having committed themselves to ambitious agreements which they have so far failed to reach, may have put themselves in a weak position to encourage arms restraint by other powers. Super-power restraint was considered an important part of the Non-Proliferation Treaty, and there are signs that the revisions of that treaty, due in 1975, may be very difficult indeed, both because of pressures for proliferation in India and other countries and because, as at Versailles in 1919, the great powers may have promised a degree of mutual disarmament which they are unable or unwilling to achieve.

ADAM ROBERTS

Labour's 'renegotiation' policy: a Conservative view

PETER BLAKER

THE Labour Party's so-called renegotiation of the terms of Britain's accession to the European Community is unnecessary and damaging. Unnecessary because everything they are asking for could have been sought, and in many cases was already being sought, by steady negotiation on each issue as it became ripe for consideration. Most questions at issue have nothing to do with the terms of accession, and there is no intention of changing the Treaties. It is damaging because the uncertainty is already hurting investment and business confidence, and this will continue until the 'renegotiation' is over and it is clear that Britain is going to remain a member. And the end result, in spite of Mr Callaghan's statement that he is negotiating to stay in, could still be our departure from the Community, with incalculable harm to our prosperity and to the political and strategic future of Western Europe.

Present Labour policy towards the Community is not the result of a genuine feeling that renegotiation of the 1971 terms of membership is the best policy for Britain. On the contrary, it is a function of the divisions in the Labour Party, a compromise designed to paper over the split which appeared in 1971 and 1972. In the vote of 28 October 1971, approving in principle British entry to the EEC on the basis of the arrangements negotiated by the Conservative Government, 69 Labour MPs defied a three-line Whip and voted with the Conservative Party, and a further 20 abstained, with the result that the terms were approved by a majority of 112 votes. From then on, Mr Wilson gave absolute priority to constructing a façade of Labour unity. The end product of these manœuvres is with us today.

On the face of it, the Government is united, but behind the intricately balanced statements of Mr Callaghan lies an unbridged chasm of opinion. If the hypothetical (as Mr Roy Hattersley recently described it) referendum does take place, and Mr Callaghan's undertaking that a Labour Government would then make clear its verdict means what it seems to mean, the Prime Minister will have to come down either on the side of Mr Jenkins or that of Mr Shore. A referendum does have at least one merit; there are only two rational answers to it.

Mr Blaker is Member of Parliament for Blackpool South and Vice-Chairman of the Conservative Parliamentary Foreign and Commonwealth Affairs Committee.

Opinion generally still credits Mr Wilson with a personal preference for staying in the Community. After all, only a few years ago, he proudly proclaimed that:

> Our purpose is to make a reality of the unity of Western Europe . . . this indeed is something that we have striven for for many years, and I am convinced that if Britain is a member of a united European Community the chances of our achieving this will be immeasurably greater.[1]

Time alone will show whether Mr Wilson has the strength and the will to stand up to the pressure of the extreme Left, both in the Parliamentary Labour Party and in the trade unions. Recent evidence from other fields would justify considerable doubt.

Labour's learning process

There has been much comment on the difference between Mr Callaghan's first two statements to the Council of Ministers on renegotiation. The first, on 1 April, delivered in a hectoring and hostile tone, included a verbatim quotation of the aggressive passage on Europe in the Labour Manifesto and displayed an agnostic attitude, redolent of suspicion of the whole European endeavour. The second statement, on 4 June, was couched in altogether more constructive terms, with Mr Callaghan making clear that he proposed to work for the changes desired by the Labour Party from within the Community, accepting that the Community method is to work together to find common solutions to common problems. What seems to have happened is that Mr Callaghan has begun to realize the appalling cost to this country of withdrawal from the Community and possibly to see that in these negotiations a threat to withdraw is likely to produce a shrug of the shoulders, rather than concessions, from our partners.

The 4 June statement shows that in only one area of Community business is the Labour Government insisting on a new negotiation. Mr Callaghan outlined Labour's demands in four areas—the Common Agricultural Policy, Regional and Industrial Policy, Trade and Aid, and the Community Budget. In the first three, it is evident that the Government is now content to work for changes within the normal framework of the EEC institutions and broadly along lines already opened up by Conservative spokesmen. Mr John Davies recently commented that there was 'remarkably little difference from the kind of work with which I was customarily engaged when I had that responsibility in a variety of different forms within the Council of Ministers'.[2] Thus Conservatives have little quarrel in principle with the Government on the substance of these matters, although we have every reason to expose the confidence trick, which pretends that Labour is doing something that we did not. A specific example of this is Mr Peart's speech in the Council on 18 June. Most of

[1] H.C. Deb., 8 May 1967, col. 1095. [2] *ibid.*, 11 June 1974, col. 1487.

the changes he called for are already under consideration in the Community, and many of them were called for by the last Conservative Government.

Last autumn Mr Godber, Conservative Minister of Agriculture, proposed six points of policy to contain consumer prices, reduce the cost of the CAP, and control surpluses. The Commission produced proposals for a radical reform of the CAP which would save £400m. a year by 1977. It was no overstatement when Mr Peart said on 18 June that 'everything I have mentioned could, and in many instances would, be due to come before (the Council) at some stage in the ordinary course of business.'

Labour's learning process extends also to the question of Parliamentary sovereignty. In its Manifesto Labour claimed that British membership of the EEC had resulted in 'a draconian curtailment of the power of the British Parliament to settle questions affecting vital British interests'. In office it seems to have recognized that the new European Scrutiny Committee, under the Chairmanship of Mr John Davies in the House of Commons, is well-equipped with both talent and authority to carry out the necessary sifting of Community legislation for the benefit of the whole House. This Committee, and all the other procedural devices recently accepted by the Labour Government as ways of ensuring that Parliament at Westminster is fully involved in the scrutiny of Community affairs, stem directly from the recommendations of the Committee set up by the last Conservative Government, under Sir John Foster, to look into precisely these matters.

Labour cannot have it both ways on this question of Parliamentary sovereignty. If Labour believes that the Parliamentary scrutiny of Community legislation should only be carried out at Westminster, then it has the instrument to hand in the shape of the Scrutiny Committee. If, however, Labour believes that such procedure does not introduce sufficient democratic accountability into Community affairs, then the emedy lies in its own hands: it should end its petty and persistent boyott of the European Parliament, where Conservative MPs have for the ›ast 18 months been defending the interests of the British electorate on natters of Community policy. The Scrutiny Committee and a strengthned European Parliament between them can provide the two arms of a lemocratic nutcracker sufficiently strong to deal with the sovereignty ›roblem.

The Community Budget

It appears at present that the 'fundamental renegotiation' promised n the Labour Manifesto has been whittled down to one substantial ssue—Britain's contribution to the Community Budget. The Foreign Secretary claims that the budgetary terms negotiated were fundamen-

tally inequitable. But this was not the view taken in 1971 by Mr Roy Jenkins, Mr Michael Stewart, and Mr George Thomson (the last two being the Ministers most closely concerned with Labour's own negotiations), all of whom said that they would have accepted the Conservative terms of entry; nor, presumably, was it accepted by the 69 Labour Members who defied the three-line Whip.

In his 4 June speech, Mr Callaghan estimated that by 1977 our share of the Community GDP would be about 16½ per cent and by 1980 14 per cent, even taking into account North Sea oil. He compared this projected 14 per cent share of the Community's GDP in 1980 with a projected 24 per cent British contribution to the Budget by that date, and described this as an unacceptable situation. If one were to accept these figures, we would indeed be faced with an unacceptable situation, since Mr Callaghan's suppositions would mean that the British GDP per head would decline to about 65 per cent of the Community average. Mr Geoffrey Rippon has rightly described this as 'a savage comment on declining British prosperity' under Labour, and added that he was not prepared easily to make the same pessimistic assumptions. Apart fro anything else Mr Callaghan's projections are a frightening comment on th effect of six years of Socialism, since they must be based upon the premis of continued Socialist government. Many will regard it as humiliatin that a British Foreign Secretary should be prepared to forecast th certain economic decline of his country without apparently feeling an sense of shame or responsibility.

Even on the Budget, the Government is negotiating within the frame work of the 1971 agreement, and is relying on the arrangements then made

In view of the evolving nature of the Community, the Conservativ White Paper made clear in 1971 that: 'Neither our contribution to, no our receipts from, the Community Budget in the 1980s are susceptible o valid estimation at this stage'. Therefore the Community declared t the Conservative negotiators that, if unacceptable situations shoul arise, 'the very survival of the Community would demand that th institutions find equitable solutions'. It is thus open to the Britis Government at any time to re-open the budgetary arrangements relyin on this declaration. In view of this, there is no reason to suppose that th Community would not adopt a helpful attitude if the Labour Government's pessimistic prognosis were to prove correct. The EEC wa created for the mutual benefit of its members. As Mr Heath said or 6 June to a group of British delegates to the European Parliament:

> This is the essence of life in the Community... If a country has problems, then the Community is bound to find solutions, because otherwise it would place strains on the Community... What is required, as a full and whole-hearted member, is discussion of the problem to work out a solution. You then get better relations. (But) why should

they make adjustments for a partner who may say at the end we are getting out?

Whether it is wise to re-open the budgetary problem now, relying on guesswork about our position in 1977 and 1980, is doubtful. At present there is no evidence that we are faring worse than predicted. Our net contribution to the Community Budget in 1973 was £15m. less than forecast in 1971, and in 1974 it is likely to be £30m. less. And even on the Labour Government's projections, our net percentage contribution to the Budget will not exceed our percentage of Community GDP until 1976–7. But, of course, the timing of Labour's exercise is dictated by the internal needs of the Labour Party.

The dynamic effects

Of greater importance in assessing the likely budgetary burden is the undoubted benefit to British industry of permanent unrestricted access for our exports to a market of some 300 million people—the so-called dynamic effects of membership. This is a factor which Mr Callaghan appears to have ignored in his recent calculations, even though it was made perfectly clear in Paras. 56 and 57 of the 1971 White Paper:

> The Government are confident that membership of the Community will lead to much improved efficiency and production in British industry with a higher rate of investment and a faster growth of real wages... These improvements in efficiency and competitive power should enable the United Kingdom to meet the balance of payments costs of entry over the next decade as they gradually build up. The improvement in efficiency will also result in a higher rate of growth of the economy. *This will make it possible to provide for a more rapid increase in our national standard of living as well as to pay for the cost of entry* [emphasis added].

It is obvious that effects of this sort cannot be expected to take place instantly. Naturally, the process described above will only develop gradually. Thus it is not easy to quantify these effects or even to demonstrate their existence at this early stage. However, it is worth recalling the estimate made in the 1971 White Paper that, if a rate of growth of national income a ½ per cent higher were to be achieved as a result of membership, by the end of a period of five years our national income would be some £1,100m. higher in the fifth year. Furthermore, the overwhelming support from British industry for continued membership of the EEC, even at this early stage when some feared the effects might be painful, indicates that those best qualified to judge the matter accept this central economic argument.

Nevertheless, despite the many flaws in the argument put forward by Mr Callaghan on 4 June at Luxembourg and in the Commons debate a week later, it is gratifying that he seems to have modified his position

substantially compared with the line he took before and immediately after the election. The fact that a shift has taken place is demonstrated by the irritation and suspicion displayed by those in the Labour Party who want to get out at any price. But though the Government has now taken a more constructive line, our view is, firstly, that Labour's technique of negotiation is wrong. We believe in perpetual negotiation based on mutual trust, Labour in 'renegotiation' based on the threat of withdrawal. If you take one issue at a time while showing that you intend to remain a loyal partner, you are likely to evoke a spirit of co-operation. If your partners are uncertain whether at the end of the day you are going to remain an enthusiastic member of the club—if a member at all—you are less likely to evoke that spirit. Secondly, we believe that by creating an atmosphere of uncertainty about our European future, the Government is harming Britain by undermining economic confidence and harming the Community by delaying its further development. If the Labour 'renegotiation' goes wrong—and that is still quite possible—and if a combination of circumstances leads this country out of the Community, Mr Wilson's Government will have reversed the primary long-term thrust of British foreign policy since 1961 and placed Britain in perilous isolation.

The dangers of withdrawal

The Labour Government is at present giving much attention to the cost of staying in the Community, but it does not show equal concern about the dangers of withdrawal. Convincing though the arguments were in favour of our entry in 1971, the case against withdrawal is now even more decisive.

We would immediately lose the tangible benefits already provided by the Community. Although not yet as extensive as they might be, these benefits are none the less of considerable help to this country. For example the Social Fund, which provides money to help retrain redundant workers and to assist workers in need, brought us £24m. in 1973, almost one-third of the total paid out. We can expect around £9m. over the next five years to help workers made redundant by closures in the British steel industry. In 1973, the UK received loans worth £32·5m. from the European Investment Bank at 8½ per cent interest—little more than half the going rate—and in May the Commission announced a new loan from the Bank of £10·4 m. to the North of Scotland Hydro-Electric Board. We can expect to benefit substantially from the Community's Regional Development Fund and from its industrial and research policies when they are agreed.

Withdrawal would also jeopardize our exports and industrial growth. British exports to the rest of the EEC rose in value by 37 per cent in 1973—11 per cent more than the increase in our exports to the rest of the

world. British industry is in no doubt of the need to stay in the Community. According to a poll conducted for the *Economist* at the end of last year, 84 per cent of Britain's largest companies expected long-term benefits from membership and 78 per cent expected to be harmed if Britain were to withdraw. The Community is now by far the largest outlet for British goods (taking about 32 per cent of total exports) and great damage would be inflicted on our export opportunities if we were to deprive ourselves of our preferential access to the Common Market. This is especially true since those countries which were formerly our main trading partners, in particular the Commonwealth and Efta countries, have already diversified their trading patterns, and would not be willing or able to offer us compensating advantages.

The other Efta countries, which negotiated free trade agreements with the EEC in 1972, are almost certain to prefer to continue with these arrangements rather than revert to their previous trading position. It is sometimes suggested that we could negotiate a free trade agreement with the Community on the Norwegian model, but this is sheer delusion since Britain and Norway are on a completely different economic scale. One of the reasons why Norway obtained such good arrangements from the Community was that it had a strong advocate in the heart of the Community—namely, Britain. If we were to leave the EEC in a predictable atmosphere of bitterness and recrimination, we would have no such advocate within the Community. In addition, Ireland and probably Denmark would stay in regardless of what this country did. In Ireland's case, this would merely compound the problems with which Britain and Ireland already have to deal jointly.

Many Commonwealth countries, which are in the throes of negotiations with the Community, are looking for agreements by the end of this year which would give them virtually free access to the Community market. It is most unlikely that these countries would agree to restore preferences in our favour, if it meant the loss of preferences for them in the Community. And many of our former trading partners have diversified their trading links in an irreversible manner. For example, New Zealand now sends 75 per cent of her dairy exports and 30 per cent of her meat exports to markets other than Britain. The old Labour arguments about the Commonwealth have been stood on their heads. The great majority of the Commonwealth now actively want Britain to stay in the Community.

A further danger would be that of economic isolation. As a relative light-weight in world trade, Britain on her own would be squeezed between the massive trading giants of the free world—the EEC, the United States, and Japan—and we would not have the necessary power to protect our national interests. This is especially true of the forthcoming Gatt negotiations to reduce tariff and non-tariff barriers. It is also likely

to be true of the international bargaining to achieve secure access to food and raw materials.

The present precarious international position should bring home to the British people the importance of secure supplies at relatively stable prices. In the coming years, when the main dangers promise to be inflation and resource scarcity, any British Government is much more likely to be able to protect the vital interests of the British people if we remain within the Community with all its bargaining power than if we withdraw into lonely and impotent isolation. World food prices are in many cases higher than those of the Community, and it seems unlikely that they will fall significantly below them in the foreseeable future, if at all. The era of cheap food is over and the effect of the oil crisis on the price of fertilizers and other basic agricultural inputs has merely hastened its demise. When asked recently to name some of the low-cost food producers outside Europe referred to in the Labour Manifesto, Mr Callaghan said that 'they do not exist'.

But the most serious consequence of British withdrawal from the Community is not the threat to our jobs, earnings, and living standards in this country, although that is serious enough. Equally grave would be the damage done to the political future of Britain, and indeed to Western Europe as a whole. Despite the fashionable talk of détente, the world is a dangerous place. The Soviet Union still ceaselessly expands her military might, and is obviously still bent on extending her global power wherever possible. In this situation, the security of future generations must depend on the nations of Western Europe standing together. Whatever the present drawbacks of the Community, Britain as a full member will be more able to protect herself and the interests of the free world as a whole than she would outside. If West Germany were to withdraw from the Community, the effect on the morale and the political will of Western Europe would be shattering. Why should the result of our own withdrawal be much less so?

These, then, are the perils with which Labour's present policy might face us. Ironically, one of the best comments on this policy comes from the present Foreign Secretary himself, who told the House of Commons on 9 May 1967:

> Much of the argument about the consequences of joining is conducted on the basis of the world's affairs standing still. It is not given to any of us to look too far into the future, *but I would hazard my own guess that ten years from now, if Britain becomes a member of the Community, it will be healthier for Britain, advantageous for Europe, and a gain for the whole world* [emphasis added]. I do not know of many economic or political problems in the world which will be easier to solve if Britain is outside rather than inside the Community.

The unassociables: the EEC and developed countries overseas

J. D. B. MILLER

Fear of competition and lack of complementarity between the EEC economies and those of other developed countries lie behind the Community's passive economic diplomacy towards them.

THE EEC's external relations, as expressed in agreements with 'third countries', have been largely confined to European, Mediterranean, and developing countries. No agreement has yet been signed with a group of states which might have been expected to make special arrangements with a market as important to them as they are to it. I am calling them the 'unassociables'. The most obvious member of this group is the United States, but Japan fits almost as neatly into this category. Others include Canada, Australia, and South Africa. Until the EEC has worked out its approach to these developed countries, it will not have achieved a full international personality. The leaders of the Community showed themselves aware of the need when they included in their summit communiqué of 21 October 1972 a determination 'to maintain a constructive dialogue with the United States, Japan, Canada and other industrialised trade partners in a forthcoming spirit, using the most appropriate methods'. The difficulty has been to find shape and substance for the dialogue.

The reasons why the EEC has made agreeements with European, Mediterranean, and developing countries offer clues to its failure to come to terms with developed countries overseas. In Western Europe, it concluded agreements with the former members of the European Free Trade Association after the entry into the Community of Britain, Ireland, and Denmark. These are preferential trade agreements establishing a free trade area.[1] In effect, they give former Efta members free trade in industrial goods within the Community, thus extending the advantages of economies of scale to Western Europe as a whole, and safeguarding the delicate financial structure of the Common Agricultural Policy (CAP), the benefits of which are not extended to non-

[1] See E. Moxon Browne, 'The Special Relations Agreements', *The World Today*, August 1973.

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members. The Community has, by these agreements, achieved a settled economic base amongst its immediate neighbours, and provided for the strengthening of Western Europe as one of the non-Communist world's three main industrial areas.

With Mediterranean countries, the Community recognizes that it possesses a special historical connection which, while diverse in origin, ought not to be neglected. France and Italy in particular wish the Mediterranean to be treated not simply as 'Europe's back door', but as an area to be cultivated because of its proximity and its strategic importance. The EEC has association agreements with Morocco and Tunisia (dating from 1969), Malta (1971), and Cyprus (1973), apart from the long-standing agreements with Greece and Turkey. It has preferential trade agreements with Spain, Portugal, Egypt, the Lebanon, and Israel; negotiations are proceeding with Jordan, Iran, and Syria. A non-preferential agreement with Yugoslavia has Mediterranean connotations as well as East European ones. While these arrangements differ in detail, they have a general significance. They serve notice on the United States and the Soviet Union that Western Europe recognizes its ties with Mediterranean countries and will take special steps to provide markets for them. There is almost as strong a geopolitical urge as in the policy of industrial free trade throughout Western Europe itself.

Attitude to developing countries

The agreements with developing countries are of various kinds but work towards a similar end. The longest-standing are those arising from France's insistence during the negotiations for the Treaty of Rome that her colonies, most of them in Africa, should have special treatment. After independence, this treatment (also applying to other members' colonies and ex-colonies) was consolidated in the Yaoundé Convention of Association. Negotiations are proceeding for further extension to include former British colonies in Africa, the Caribbean, and the Pacific.[2] Another sort of agreement with developing countries is represented by those made in 1972 and 1973 with Argentina, Uruguay, and Brazil. These are non-preferential, with special reference to meat supplies; they are prompted by a Community wish to reinforce Europe's cultural and economic ties with Latin America.

There are special complications with Asian developing countries, whether they are ex-colonies or not, because the tradition of local manufactures is stronger than in black Africa or the Arab countries. The Commission has overcome some of these by special trade agreements with India, Bangladesh, and Pakistan to cover jute and cotton textiles,

[2] See Kenneth Twitchett, 'Yaoundé association and the enlarged European Community', *The World Today*, February 1974, and Roy Lewis, 'Europe and the Commonwealth: The Progress of Association', *The Round Table*, April 1974.

and with Thailand, Indonesia, the Phillippines, and Sri Lanka to cover handicrafts. The trade co-operation agreement made with India in December 1973 goes further than any of the others and looks cautiously towards the encouragement of Indian manufactures with a view to markets in Europe. However, the EEC has generally been reluctant to provide opportunities which might enable Asian factories financed by the United States and Japan to capture the market for certain kinds of goods. It is noticeable that the areas of major industrial growth in Asia, such as South Korea and Taiwan, have not come to terms with the EEC, and Hong Kong is still a problem. In general, however, the Community subscribes to the system of generalized preferences for developing countries' indigenous industries, and seems to be moving towards this kind of approach rather than its original preferential arrangements for its own ex-colonies.

Looking at the EEC's current network of external agreements, one sees how unsuited to relations with countries like the United States, Japan, and Canada are the aims and intentions behind them. They are nearly all forms of association of one sort or another, designed to fit other countries into the structure of Western European trade. The effort expended in consolidating Western Europe and the Mediterranean, and in keeping good relations with former colonies while extending influence into other Third World countries, is not the same sort of effort as would be required to come to terms with other rich, developed countries which are likely to be effective competitors within the European market and elsewhere.

Fears of industrial and agricultural competition

Certain attributes are obvious in the 'unassociables'. In the first place, their economies lack complementarity with those of Western Europe. The US is both an industrial and an agricultural competitor, and in some fields a vital source of technology and raw materials. Her immense economic strength makes her the dominant element in any trade negotiation which she undertakes. Broadly speaking, her negotiating efforts at trade conferences take two directions. One is a demand for free trade in regard to goods which appear to be safe against foreign competition. The other is a determined demand for protection, safeguards, or guarantees in respect of those items which may suffer if foreign competition is allowed into the US market. These two demands are not confined to the United States, of course; and they are not always pursued with absolute determination. But they are so strongly stated, and involve other countries' interests to such a great extent, that the idea of meeting them in full negotiating order has been too much for the EEC—especially since the involvement of US investment in the countries of Western Europe is so considerable and touches

so many interests that the intricacies of a bilateral negotiation would be alarming in their complexity.

Although this element of investment is far less significant in the case of Japan, there is still so little complementarity between Japanese and West European industries that room for negotiation is slight. Where the Japanese are more efficient, they are so much more so that European countries hesitate to give them the same rights of entry as they would give to goods from other European countries or even the US. Moreover, Japan is wary of foreign investment and highly selective in her imports of other countries' goods.

The case is different with Australia, South Africa, and New Zealand (which provide competition with the temperate agriculture of the Community, not with its manufactures), and different again with Canada (which is also a competitor in temperate agriculture but may become a significant competitor in manufactures); but each of these involves competition where Western Europe would prefer complementarity. The CAP is built on the assumption that agriculture in Western Europe will provide all or most of the food required by the people of the Community, and that, where imports are needed, they will be either temporary or kept to a minimum: the commanding heights of agricultural supply are meant to be preserved for the farmers of the Nine. Similarly, while the Community recognizes that it will need to import technology as well as those goods which it does not make for itself, it is assumed to be largely self-sufficient in manufactures, and to export rather than import. Although its leaders recognize the ultimate desirability of substantial free trade, and the reality of their own industrial strength in many areas, they still have to take account of those industries and localities which depend upon a protected market within the Nine and could not function smoothly if subjected to Japanese or American competition. The contrast with those countries outside Europe with which the Community has made agreements is obvious: they all have economies which are either complementary to, or less efficient than, those of Western Europe.

Political ambiguities

Lack of complementarity and fear of destructive competition are reasons why the 'unassociables' have been so little sought out by the Community in its economic diplomacy. There are others too. The most important is ambiguity in political relationships, especially with the United States. Indeed, all external relations of the Community are scrutinized to see how they affect the US. Even Japan, such an economic power in her own right, is heavily dependent on the US for markets and raw materials, and is presumed susceptible to American pressure when engaged in economic negotiations. Canada and Australia, while some-

what differently situated, are sufficiently close to the US to be linked with her in considerations affecting trade. As is well known, the Community's relations with the US have been stormy. The American Government pressed hard for the formation of the EEC, and for British entry into it, largely on political grounds: a 'united Europe', it was thought, would present a stronger resistance to the Soviet Union, while retaining close links with America. The fact that the EEC had a protectionist structure and would, in some cases, discriminate against American goods and American enterprise, does not seem to have impressed itself on the US Government until well after the Treaty of Rome had become a reality. In recent years, the relationship has deteriorated under the pressure of US protectionism on the one hand and French anti-Americanism on the other. The non-French members of the Community have remained steadfast in their attachment to Nato and their support of US policies in the world at large; but in economic matters they have found it hard to resist French initiatives, and they have been led, by the very structure and policies of the EEC itself, to positions regarded in Washington as discriminating against US exports. In its turn, the US Government has been inclined, since the Nixon shocks of 1971, to down-grade the importance of the EEC as a force for European unity, to give more attention to Nato and OECD as means of conveying Atlantic requirements to its European allies, and to pillory the EEC as potentially obstructionist. To a considerable but not a total extent, this hostility has been directed against France; but the prominence of France in all EEC activities, especially the CAP, has meant that the organization as a whole has gained a bad name in US policy circles.

The ambiguity about the political relationship with the United States is intensified by the fact that EEC members differ amongst themselves in their attachment to American policies and their sense of dependence on the US. Even a change of government in an EEC member-state may lead to a different approach towards the US, as the 1974 change of government in Britain has demonstrated and the advent of President Giscard in France is likely to show. The undignified squabbles about oil in 1973–4 underlined the difficulty of getting each member to agree to a common policy towards such a vital element in their economic and political interests. All recognize the importance of the United States, yet there is such ambiguity in the range and depth of that importance, so much room for differing interpretation, that it is not surprising to see them so often in disagreement.

There is one further reason why the 'unassociables' have not been tackled singly by the EEC. It relates to the Community connections with the United States, but involves a mass of other considerations. It is the common awareness of EEC members that the developed world

constitutes an uneasily interdependent whole, which needs common rules rather than bilateral trade agreements. The situation calls for generalized negotiations about tariff and non-tariff barriers, such as Gatt is now attempting to promote,[3] but even more for these to be supplemented or combined with the construction of a new international monetary system to replace the Bretton Woods model which has come apart in the past three years. There is also recognition that such international economic phenomena as aid programmes and the operations of multinational corporations may require codes of conduct to be observed by all the developed countries and, if possible, by the developing as well. The effects of steep rises in oil prices have shown that international economic co-operation calls for much more than reducing a tariff here and there.

Minor bargaining with US

The willing support of the US, and perhaps her overall management, is basic to any effort at co-ordinated reform. The EEC cannot undertake the task on its own account, and must try to get the maximum of agreement with the US and Japan if any progress is to be made. However, exploratory discussions have been difficult, because EEC members differ over economic and monetary policy, and because the Commission's brief in external relations is formally confined to trade matters. In the face of a massive need for new rules of international economic management, it would be of little use to get a few trade concessions while neglecting major problems, which are extremely difficult to combine but must be treated together if the solution to one is not to undermine the solution to another. It is true that the EEC and the US have agreed on concessions to be made by the EEC to its trading partners in recompense for trade losses resulting from the enlargement of EEC membership;[4] but this was minor bargaining which served only to highlight the lack of progress on worldwide trade and monetary reform, in spite of President Nixon's glowing approval of the agreement. It is thus clear that, until the US Government can secure an effective negotiating position from Congress for the major Gatt talks, and until EEC members can agree on a common approach to monetary questions, there is little hope of significant negotiations between the EEC and the US.

Relations with the other 'unassociables' are not subject to quite the same inhibiting influence, although, as indicated above, the shadow of the US falls across all of them. Two cases in which the EEC has made some effort to come to terms are Japan and Canada; both are instructive.

[3] The EEC position on these, stated in very general terms, will be found in Sir Christopher Soames, 'The EEC's external relations', *The World Today*, May 1973, p. 194.

[4] See *The Times*, 1 June 1974, for details of the agreement made the previous day under article 24(vi) of Gatt.

Negotiations with Japan and Canada

The Community in fact began negotiations with Japan as long ago as September 1970,[5] with a view to liberalizing trade on both sides. The objective was a non-preferential trade agreement which would consolidate and extend the existing trade agreements between Japan and France, and Japan and Benelux. (There is also an agreement with Britain which would now have to be taken into account.) The negotiations were concerned with removal of quantitative restrictions on both sides, the elimination or reduction of non-tariff barriers, safeguards to prevent a flood of Japanese goods in European markets, and the creation of a joint committee to monitor economic relations between the two parties. The talks were suspended in July 1971, and have not been resumed, because the Japanese would not accept the kind of safeguard clause which the Commission wished to impose. The result has been that the Community has had to agree to certain national measures against Japanese goods, and to impose the awkward Article 19 of Gatt which cannot be used against individual countries but must apply to all exporters of the goods in dispute. Japan has continued to make cartel arrangements with certain manufacturing firms within the Community, to an extent disturbing to the Community's principles of free competition. Not only does the whole operation indicate that the Treaty of Rome is basically a protectionist device which can be brought to deny many of its own precepts; it also makes more difficult the kind of wider co-operation, especially in the monetary sphere, which Western Europe and Japan need for their mutual benefit.

Canada has shown considerable interest in coming to terms with the EEC, culminating in her formal request for a comprehensive trade agreement to establish closer economic and political co-operation.[6] There is reason to believe that the move is prompted as much by political as by economic considerations; it is difficult to separate the two in this instance, since it is Canada's close economic connections with the US that has prompted so much political argument in Canada herself and has been the motive force behind the Canadian Government's efforts to implement 'Option Three'—'to lessen the vulnerability of the Canadian economy to external shocks, especially those from the United States.'[7] This involves a greater concentration upon Canadian manufacturing with a view to diversifying Canada's export trade, at present largely confined to resource products. It is not that anyone in Canada thinks the present US economic influence can be replaced by European influence;

[5] For a useful summary, see David Perman, 'Japan Talks to Europe', *European Community*, April 1974, pp. 6–7.

[6] *International Herald Tribune*, 3 May 1974.

[7] The options are to be found in an article by Mitchell Sharp, Secretary of State for External Affairs, 'Canada–US Relations: Options for the Future', *International Perspectives*, 17 October 1972.

rather, Canadians want to establish another external point of economic contact, sufficiently strong to offset, in some measure, US power.[8] This involves persuading Europe not only to provide capital for some further resource development, such as the Athabasca tar sands, but also to accept Canada as more of a trading partner in the industrial field. There are Canadian fears that, if no separate approach is made to the EEC, North America will be treated in Brussels as an undifferentiated whole. In Brussels, however, there are both attractions and drawbacks about constructing special arrangements with Canada, largely because of lack of knowledge about how the US would react to special treatment of her neighbour—just as, in other respects, there are doubts and fears about how she would react to a successful agreement with Japan.

Willy-nilly, the EEC comes back to the need to come to an agreement with the economic giant of the non-Communist world. The trouble is that, to be effective, the agreement itself has to be on a giant scale. It has to satisfy the requirements of the developed world for effective monetary as well as trade arrangements, and to deal with farm as well as factory products, thus going much further than any of the previous multilateral trade negotiations like the Kennedy Round. To deal with these gigantic issues, the Community must display at least the same degree of inner harmony and ratiocinative power as the United States can muster, even in her present disturbed condition.

[8] For some representative opinions, see 'Canada and the European Community', *Behind the Headlines*, February 1974.

Japan and the oil crisis

R. P. SINHA

Extreme vulnerability to the oil crisis has led to an intensified search for other energy sources. Efforts to reduce dependence on the Middle East and the international oil companies are fraught with political implications—not least for the relationship with the United States.

JAPANESE policy-makers have always been conscious of their country's extreme dependence on foreign sources of raw materials, and efforts have been made in the past to diversify the sources of supply; but the degree of their vulnerability had never been registered with such intensity as since the October 1973 decision of the Arab world to use the oil weapon in its conflict with Israel. The *Economic and Social Development Plan* (1967–71) had already emphasized in March 1967 that 'in order to modernize the industrial structure and to strengthen the international competitiveness of enterprises, it is necessary to secure a stable supply of cheap energy which is the basic material for all industry and for the people's livelihood. The essence of the energy policy in Japan is to pursue the possibility of the energy supply meeting these two requirements: stability and low cost.' The need for development of new overseas sources of oil and greater Japanese participation in overseas oil ventures was further stressed in the *New Economic and Social Development Plan* (1970–5) published in May 1970, with reference to the 'maldistribution of the world's natural resources as well as to the dominance over the resources by mammoth enterprises'. The price rise which was triggered off by the decision of Opec's twenty-first general meeting at the end of 1971 and the subsequent Teheran and Tripoli agreements added further urgency to the problem. Events following the October 1973 cutback in supplies to the West shook the very foundations of the high growth economy of Japan whose extreme vulnerability, due to her great dependence on imported fuel and particularly oil, earned her the nickname of the 'Fragile Blossom'.

It is too early to assess the long-term consequences of the new oil situation for the Japanese economy. However, there are broad indications that the rate of growth in real terms for the fiscal year 1974 will not exceed 2·5 per cent. Initially, official sources had forecast also a slow-down in private investment which was not expected to rise in 1974 by more than

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10 per cent over the previous year. But in a recent statement the Ministry of International Trade and Industry (MITI) indicated that, in spite of the stringent financial situation, private business enterprises were contemplating almost a 35 per cent increase. On the basis of a survey of 1,768 major companies in twelve industries, MITI estimated private investment in plant and equipment up to about Y7,335,200 m. The highest increase (115 per cent) was planned for petro-chemicals, with a 100 per cent increase for the aluminium refining and rolling industry, 90 per cent for oil refining, and 70 per cent for synthetics.

In the period since the Second World War, energy consumption rose at a much faster rate in Japan than in any other part of the world. Between 1950 and 1970 world energy consumption increased by almost 150 per cent but the rise in Japan was nearly seven-fold, from 49 to 332 million tons coal equivalent. Some of this was, of course, due to Japan's very low base in 1950 when she had not fully recovered from the after-effects of war and defeat. But even in the 1960s she experienced nearly a three-fold increase in energy consumption, while that of other industrialized countries rose by only about 50 per cent. Per capita consumption of energy remains low in Japan, however, compared with Western European countries, and even more so with the United States where the average per capita consumption in 1970 (11·1 tons coal equivalent) was more than three times that of Japan (3·2 tons).

The rapid expansion in the demand for energy in the wake of unprecedented rates of economic growth in Japan led to her increasing dependence on imports, particularly oil. Coal was rapidly replaced by petroleum, the ratio of petroleum to total energy rising from 37·6 per cent in 1960 to 75·3 per cent in 1971. During the same period, the proportion of imported crude oil to the total refining capacity in the country increased from 93 per cent in 1960 to 99·6 in 1970.

Table 1 below provides a comparative view of the relative importance of energy sources in selected countries with their dependence on foreign sources of supply. While Japan's dependence on foreign sources is

Table 1. *Sources of energy supply in selected countries*, 1970

Countries	*Oil*	*Coal*	*Natural Gas*	*Hydro Electricity*	*Atomic Energy*	*Total*	*Percentage supplied by domestic sources*
Japan	70·8	20·7	1·3	6·3	0·4	100	16·5
USA	44·6	21·0	32·8	1·4	0·2	100	91·1
UK	49·5	43·9	5·3	0·2	1·1	100	54·6
France	65·0	25·4	6·2	3·0	0·4	100	30·7
West Germany	56·0	38·0	6·1	0·6	0·3	100	55·0
Italy	77·3	9·9	8·8	3·6	0·4	100	18·3

(Source: *LTCB Research*, No. 14, February 1974.)

matched only by Italy, her other close competitors have a much higher degree of self-sufficiency in their energy supply, and a much smaller dependence on oil as the chief source of energy. Her vulnerability is further increased because by far the largest proportion (81 per cent) of her crude oil comes from the Middle East, as compared with 60 per cent for West European countries and about 33 per cent for the US. Another 17 per cent of Japanese oil imports come from the Far East and less than 3 per cent from the rest of the world.[1] In addition, a major weakness of Japan's energy situation is the fact that 60 per cent of her crude imports and roughly the same proportion of its distribution is in the hands of seven big international oil companies.

In 1970 MITI, which is responsible for oil affairs, sponsored an investigation by the Overall Energy Council into the future of Japanese energy in the context of world development. Its interim report, published in December 1971, also took into consideration developments since the Teheran and Tripoli agreements, the revaluation of the yen, the devaluation of the dollar, and Opec's growing demand for price increases. The report concluded that Japan's dependence on oil for nearly 70 per cent of her energy supply would continue until 1985, when the total demand would reach around 700–800 m. kilolitres. Subsequently, a detailed forecast by the Institute of Energy Economics in 1972 (see Table 2 below) suggested that by 1985 the relative share of oil in total energy supply would rise to 72 per cent, the demand for oil being estimated at 618 m. kilolitres.[2]

According to the Institute's estimates, the relative shares of hydro-electricity and coal are likely to decline while a substantial increase is visualized for nuclear energy. The relative importance of domestic sources of energy will further decline in this period from 15 per cent in 1970 to 7·5 per cent in 1985. Increased imports of coal were also forecast. If these projections prove realistic in the light of the October 1973 crisis and its as yet uncertain subsequent developments, the per capita consumption of energy in Japan by 1985 will exceed the 1972 level in the United States. Given the recent price increases, however, it is highly unlikely that demand will rise so fast. According to official sources, the price of crude oil roughly doubled in Japan in 1972 from an average of Y3,750 per kilolitre to Y7,500, while gasoline jumped from Y14,000 to

[1] Japanese crude oil imports in 1972 were 197 m. kilolitres from the Middle East (the largest share coming from Iran and Saudi Arabia, with 37·5 per cent and 16·8 per cent of the total respectively) and 40 m. kilolitres from Indonesia and other Far Eastern sources.

[2] Recently MITI has worked out a 'long-term vision' which suggests that at current rates of energy consumption, estimated to rise by 1·16 per cent with every 1 per cent increase in the GNP, the demand in 1985 will be as much as 1,100 m. kilolitres in terms of petroleum. MITI recommends the saving of energy through renovation of Japan's export structures and energy transport systems so as to reduce 1985 demand to 870 m. kilolitres. (BBC, *Summary of World Broadcasts*, Part 3, 2 July 1974.)

Y27,000, and naphtha from Y8,200 to Y13,000. The price of kerosene for domestic use was pegged in November 1973 at Y12,900 per kilolitre. By January 1974 crude oil costs f.o.b. Middle East had risen considerably. For instance, the delivered cost of crude oil (Arabian light) between January and April 1974 rose from $3.70 to $9.50 a barrel. The oil refining industry was reported to be losing $27 m. per day in this period. The companies put pressure on the Government to increase the wholesale price and a negotiated settlement, reached on 18 March 1974, allowed on average a 64 per cent increase on most products. The oil companies still

Table 2. *Forecast of energy demand*

	Actual 1970	*Percentage* of total*	*Forecast for 1985*	*Percentage* of total*
Hydro-electricity (billion kwh)	80·1	6·3	126	3·8
Nuclear Power (billion kwh)	4·6	0·4	453	13·8
Coal(a) (m. tons)	92·0	20·7	107	9·6
Petroleum(b) (m. kilolitres)	234·0	70·8	618	72·2
Natural Gas(c) (billion cu.m.)	2·8	0·9	2·5	0·2
Others	—	—	—	—

* in terms of calorific value.
(*a*) Domestic and imported.
(*b*) Crude oil equivalent. Includes domestic output, imported crude and products, imported liquefied natural gas.
(*c*) Domestic production only. No allowance made for possible offshore production.

Source: M. Sakisaka, *Energy Demand Resources and Environment* (1972), also quoted in *Petroleum Press Service*, June 1972.

feel that such increases will be inadequate to meet the cost of crude at anything more than $9 a barrel.[3] On the other hand, the Economic Planning Agency has estimated that such price increases alone will push the consumer price indices up by at least 5 per cent. Although the Government is trying to keep inflation under control by freezing the price of fifty basic materials and 150 household necessities, there is a risk of a further boost to inflation as a result of recent high wage settlements. If economic activity is slowed down owing to the inflationary situation and the policies adopted to curb it, the demand for energy may not rise as fast as had been assumed in the two studies mentioned above. It is too early to

[3] According to recent reports, the price has risen to $10–$11 per barrel. British Petroleum has decided to raise the f.o.b. price of its Middle East crude oil by 50 cents per barrel retroactive to 1 January 1974, bringing the new price to $10.56 a barrel for Iranian light and $10.16 for Kuwaiti crude. Other current prices are $11.05 for CFP of France retroactive to April; $10.40 for Shell Oil's Iranian light retroactive to April; $10.05 for Gulf Oil's Kuwaiti oil retroactive to May; $9.90 for Exxon's Iranian light retroactive to April; and $10.45 for Mobil Oil's Iranian light retroactive to April. (BBC *Summary of World Broadcasts*, Part 3, 8 June 1974).

speculate as to what may happen; if the experience of 1973 has any validity, the demand for energy will almost certainly rise at a reasonably fast rate. In fact, despite the cutback of oil supplies in the last quarter of the year, total crude imports in 1973 were 17 per cent higher than in 1972. This figure, however, was nearly 7 per cent less than the original target.

The energy crisis has further underlined the need for diversifying the sources of supply and reducing the relative importance of international companies in handling Japan's oil. The main planks of the current Japanese energy policy are: diversification of sources of petroleum supply; increasing the relative strength of Japanese-owned companies; the purchase of producing concessions from foreign operators; direct deals with Opec countries; and the development of fuels other than petroleum, particularly nuclear fuels.

Diversification of sources of supply

In an effort to diversify her sources of supply, Japan has extended her search in Thailand, Sabah, Australia, Alaska, Canada, Colombia, Zaire, Nigeria, and the Middle East. This search has already started to pay off; there is a distinct possibility of commercial production from offshore operations in Sabah, Zaire, Nigeria, Abu Dhabi, and the fields in Indo-.esia. The Tomen Trading Company of Osaka is shortly to sign a con-ract with the Government of the Yemen Arab Republic regarding xploration for oil off the southern coast of the republic. The Japanese Government has also indicated its interest in North Sea oil; Mitsubishi)il has already reached agreement with its US associates, Getty Oil, to mport crude oil up to 3–4 m. cubic metres from the North Sea from 1975. A fifty-year pact was signed with South Korea in January 1974 for the oint exploration and development of some hitherto disputed areas in the North China Sea. The Fuyo Petroleum Development Corporation and he Marubeni Corporation have agreed with Canadian Industrial Gas and il Ltd, of Calgary, on a joint feasibility study for the development of the l-bearing tar sands in Cold Lake, Alberta.

Japan is obviously casting her net far and wide to secure future sources supply, but her eyes are firmly set on the vast energy resources of hina and Siberia. Current Chinese production of crude is reported to be out 50 m. tons a year. Large-scale sales to Japan started in 1973, when Japanese Consortium headed by Idemitsu Kosan obtained 1 m. tons of aching crude. On 1 February this year, a contract was signed in Peking etween Japan's International Oil Company and the Chinese National hemical Import and Export Corporation, providing for a shipment of m. metric tons during the first half of 1974 and 500,000 metric tons ring the latter half. While no difficulties are expected over the quantity gotiated, agreement on price has proved difficult because of Chinese mands for $15 a barrel. However, in early April the price of the oil to

be shipped between April and June 1974 was fixed at $14.8 per barrel f.o.b.; that for later shipments was left undecided.

Japan has her eyes on Chinese coal as well. The Coal Mining Industry Council, an advisory body to MITI, has already recommended emergency imports of coal amounting to 800,000 tons in 1974 fiscal year. Efforts are also being made to enter into a long-term arrangement. At the Canton Spring Fair, more than twenty Japanese trading firms were competing for coal contracts. In view of the Chinese refusal to deal with individual firms, the Japan–China Economic Council decided on 7 May to create a coal department to represent Japan in these negotiations.

According to present indications, Siberian sources may turn out to be of great importance to Japan. The idea of joint development of the Tyumen oil reserves in Western Siberia dates back to 1966, and a preliminary agreement was signed in February 1972, the Russians indicating that from 1976 onwards Japan might be able to import between 24 and 40 m. tons of crude annually. This joint development involved the construction of a 4,200 km. pipeline from Irkutsk to Nakhodka and the expansion of the existing line from Tyumen to Irkutsk. Two US firms, Gulf Oil and the Bechtel Corporation, have also shown some interest in the Siberian development.

Early this year the Russians revealed that they planned to supply Japan with crude oil from Western Siberia partly by rail instead of by pipeline and, at a joint meeting of the Japan-Soviet Co-operation Committee in Moscow in late March, they proposed the building of a second Siberian railway as a joint venture. The new plan involved the transshipment of oil through a 4,000 km. pipeline and the remaining 3,000 km. by a new railway. The Japanese Government was unenthusiastic about this project, which would be difficult and costly from the technological point of view. It was also worried about the political implications for Sino-Japanese relations, and about the fact that the railway would be used to transport fuel to the Soviet fleets operating in the Far East, with an attendant impact on the military balance in the region. The United States is unlikely to support such a railway project and, under the present Japan-US security arrangements, it would be difficult for Japan to accept the Soviet offer of joint development. On the other hand, the Russians will try to drive a hard bargain: there is already some hardening of the Soviet attitude to joint development of Siberian resources, as a recent press statement by the Minister responsible for oil made clear.[4]

Meanwhile, a proposal was signed in Tokyo on 22 April to provide a $1,050 m. bank credit at 6·375 per cent from Japan to the USSR for the implementation of Soviet-Japanese co-operation projects concerning the development of Yakut coal deposits, commercial prospecting for Yakut natural gas, and the exploration of Soviet Far East timber deposits. The

[4] *The Daily Telegraph*, 29 May 1974.

credit will be used for Soviet purchases in Japan of machinery, equipment, ships, and materials needed for the above projects, as well as consumer goods worth $110 m. On 26 April, Japan and the Soviet Union signed a memorandum on natural gas prospecting in Yakutiya with the participation of the United States; under this agreement, the Soviet Union proposes to supply annually 10,000 m. cubic metres of natural gas both to the US and Japan over twenty-five years. In return, they will provide credit totalling about $200 m. to finance Soviet imports from them of the necessary machinery and equipment. Another protocol was signed in Tokyo on 30 April regarding joint Soviet-Japanese development of coal deposits in South Yakutiya; the Japanese will make yen bank loans to the USSR equivalent to $450 m. while the Russians undertake to supply 104·7 m. tons of coking coal between 1979 and 1998. There has also been an agreement on co-operation in prospecting for oil and gas deposits on the shelf of the Sakhalin islands.

Despite this growing Soviet-Japanese co-operation in the exploration and development of energy sources in Siberia and the Far East, however, there is some disagreement with regard to the current price of oil. Recently the Soviet trade authorities asked Idemitsu Kosan of Tokyo, the leading importers of Soviet crude oil, for $16 per barrel, a price the Japanese importers seem to be unwilling to accept.

Search for 'national' oil

In addition to negotiating for new joint ventures in various parts of the world, Japan has been buying up shares in existing ventures. One such deal completed last year was the purchase by a Japanese consortium of a 45 per cent interest in BP's share of the ADMA (Abu Dhabi Marine Area). The total investment in this deal came to £320 m., of which just over two-thirds was provided by the Government. Japanese interests in Middle East oil are vested also in the Abu Dhabi Oil Company, which is backed by various organizations like the Petroleum Development Corporation, Maruzen Oil, Daikyo Oil, Nippon Mining Company, etc. This company has been operating in the offshore Mubarras field and is expected to produce around 6 m. kilolitres per day from 1975. Another Japanese company, United Petroleum Development, which is backed by various Sumitomo companies as well as the Abu Dhabi Oil Company has a one-third share in the BP/CFP El Bunduq oilfields. Another consortium of trading and industrial interests and electric utilities, the Arabian Oil Company, has been operating since 1958 in the Kuwait-Saudi Arabia Neutral Zone, starting commercial production in 1961.

Similarly, the North Sumatra Oil Development Co-operation Company, a consortium of several Japanese oil concerns, public utilities, trading and industrial firms, is financing the rehabilitation of North Sumatra. The lifting from these fields has averaged 600,000 kilolitres per

year and the Japanese Government has given preferential treatment to this crude. Japex Indonesia, another Japanese company, has already had some success in the Attaka field in East Kalimantan where current production of roughly 30,000 barrels a day is likely to treble on completion. There are several other Japanese interests in Indonesia such as Low Sulphur Oil Company, Kyushu Oil Development, Mitsubishi, and Showa Oil.

The standard practice in such ventures is to form a consortium of Japanese interests backed by the Japan Petroleum Development Corporation, which was founded in 1967, in order to promote the exploitation of oil resources by private enterprise. Statistics indicate that between 1967 and 1971 there was nearly a ten-fold increase in overseas investment, one-third being provided by the Government and increasingly channelled through the Petroleum Development Corporation. In the same period, there was a significant decline in the share of the public utilities and steel sectors, which fell from 13 to nearly 6 per cent, while the share of the companies involved in the refining and distribution of petroleum and petroleum exploration increased considerably. In view of the recent energy crisis, the 1974 budget plans to provide the Petroleum Development Corporation with a sum of Y29,000 m. out of the revenue from import duties on crude and fuel oil. Extension of the powers of the Corporation is envisaged to enable it to enter into joint ventures with foreign governments with regard to developing alternative oil sources like tar sand and shale oil, and financing Japanese offshore operations.

Direct deals with the oil producers

In spite of US misgivings the Japanese Government will clearly aim at increasing the import of crude oil by direct deals with the oil-producing countries. Although the cost works out at slightly more (i.e. $1 per barrel) than that of crude oil imported through the international companies, from the point of view of security of supply the Government's objective is to raise the present share of supply by direct deals from 5 per cent up to 40 per cent of total imports of crude. The experience of the October crisis has further strengthened this determination. The severe shortages suffered by Japan when the international companies diverted Iranian and Indonesian oil to the United States and other markets brought the realization that in the event of a serious crisis the US companies would probably give preference to US interests. Dr Kissinger's threat that the US could probably achieve a preferential position by using her economic and political strength in bilateral diplomacy did not help matters. While the Japanese realize that their dependence on the US as a market for their products, and as their main source of supply for grains etc., makes it difficult for them to take an independent stand, at the same time they cannot risk offending the oil-producing countries of the Middle

East. Thus the Japanese Government will, on the one hand, avoid aligning itself with any attempt to create a 'consumers' cartel' under US leadership and, on the other hand, try to develop closer relationships with the Middle East, as reflected in its recent pro-Arab stance in the Arab–Israel conflict. It is also aiming to enter into economic and technical co-operation arrangements with Saudi Arabia and other oil-producing countries. Under such an agreement, Japan would supply technical experts, technology, and equipment to Saudi Arabia and accept Saudi Arabians for technical training in Japan. A similar agreement is to be signed with Iraq.

Nuclear energy and other policies

It is almost certain that for the next decade or two oil will continue to remain the major source of energy in Japan. But, as indicated earlier, there is an increasing emphasis on alternative sources. The Government is contemplating launching a multi-phase 'Sunshine Plan'[5] for research and development in the use of solar energy and the heat of the earth, and in the creation of synthetic 'natural gas', but the development of this new technology will take some time. Meanwhile production of nuclear energy is being accelerated. Four commercial nuclear reactors with a total capacity of 1,300 mw. are already in operation. The official target for nuclear power, originally set at 40,000 mw., has recently been raised to 60,000 mw. which would roughly represent 14 per cent of the total energy supply and will provide a base for producing 450,000 m. kwh.

The relative position of selected countries in the production of nuclear energy over the next decade is given in Table 3 below. In the rapid expansion of nuclear power the world is likely to experience, by far the largest production will continue to be in the US. Japan will become the second largest producer with production projected to increase almost twenty-fold, a rate unmatched by any other industrial country. However, there is a need for caution, because domestic supply of uranium ore is scarce, and deposits are small and of low quality. Nor does Japan have any enrichment plant; she depends on the US for enriched uranium. Some efforts to secure other sources of uranium are being made: for example, the joint venture with the Government of Niger and the French Atomic Agency. But safety considerations and the people's reaction to the nuclear industry will remain additional handicaps.

[5] The programme, scheduled to start on 1 July 1974, includes completion of the following: plants for solar and geothermal power generation and hydrogen energy development; 1000 kw. solar power station and a system supplying air conditioning and hot water; a high temperature, high pressure electrolytic process and system of storing hydrogen gas and liquefied hydrogen; and systems for power generation in the 10,000 kw. class by geothermal and volcanic energy. The second phase, planned to be completed in 1982, will include a pilot plant for gasification and liquefaction of coal and a synthetic coal gas manufacturing plant with a daily 50,000 cu. m. capacity. (BBC *Summary of World Broadcasts*, Part 3, 27 June 1974.)

An attempt is also being made to economize and to increase efficiency in the use of energy. Japan's consumption per unit of industrial output is at present as high as 1·11 litres (oil equivalent) compared to about 0·80 for most of her competitors amongst Western developed countries. Increased efficiency would involve the development of improved technology for storage, transport, and distribution, as well as the abandonment of industries with a low efficiency in energy-usage.

On the whole, if things go as planned, Japan would seem to stand a reasonable chance of reducing her dependence on the Middle East, and particularly on the international giants, for her fuel supply. But in political terms she will have to do a lot of tightrope-walking. With her major supplies coming from China, Russia, and the Middle East, she may well have to opt out gradually from a firm commitment to the US line, taking a more neutral stand on major world issues. This will be even more the

Table 3. *Nuclear power capacity and projected targets for 1985*

Countries	*(in Giga Watt)* *January 1974*	*End of 1985*
Japan	3·1	60
USA	32·4	300
UK	5·6	30
France	2·8	37
West Germany	2·3	40
Italy	0·6	18
Total EEC	12·2	140
USSR	2·6	30

(Source: for the EEC European Commission, information given in a written reply to a question in the European Parliament, quoted in *The Petroleum Economist*, May 1974, p. 168. For other EEC countries, see *ibid.*

case if the US fails to curb her own growth of energy consumption and competes even more sharply in world markets for increasing fuel imports. Japanese policy is already aimed at curtailing the powers of the international companies, many of which are US-owned. If, with a view to slowing down this process, the US Government decided to intervene directly or indirectly, this would in all probability act as a further irritant in relations with Japan. It would not be surprising to find Japan gradually emerging as a non-aligned nation willing to operate more and more through the UN agencies.

Gaullist foreign policy in retrospect

ROGER BERNOS

> *'France is now again at the crossroads. The distinction made in the past between domestic and foreign policies can no longer be maintained. The oil crisis demonstrates that the time has come to face up to the consequences of the options taken in foreign affairs.'*

THE recent presidential election in France may entail certain changes in her external policies. The moment, therefore, seems appropriate for taking a retrospective look at French foreign policy. Sixteen years constitute a span of time sufficiently long to overlook its daily ups and downs and to determine the constant motivations behind it. Furthermore, and this is a most important point, French foreign policy has now reached a watershed—as illustrated by the recent electoral campaign. Up to now the external and internal policies of France have been carefully kept apart as regards both their objectives and their effects. This is the main explanation for the indifference shown by French public opinion to major foreign-policy problems except when these take a spectacular turn: for instance, the clash between Dr Kissinger and M. Jobert. From now on, however, both policies will be more closely linked and there will be an interaction between them. In other words, for the first time in many years France will feel the impact at the domestic level of her options in foreign affairs and will, therefore, have to bear its consequences fully.

Motives

The quest for independence, the pursuit of national interest, and the rejection of any form of foreign hegemony are the triptych which constituted the background of Gaullist thinking as regards foreign policy. But it might be useful to look beyond these well-known principles into the deeper and sometimes unconscious motives behind French political attitudes in foreign affairs. In this field, reason sometimes gives way to emotion and petulance gets ahead of analysis.

The emotional aspect of Gaullist foreign policy, expressed in an obsessive pursuit of great power status linked to a rejection of US predominance in political and economic matters, is of particular interest and deserves further consideration. Although stemming from a particular

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stand, that of de Gaulle after the capitulation of France in 1940, it has now become a matter of principle: the rejection of any form of subordination or, more precisely, of any commitment implying a transfer of any part of the nation's sovereign rights. In this connexion, the alliance of the former British Prime Minister, Mr Heath, and the late President Pompidou was quite illuminating. It was based on the same strict nationalism and on the same belief that alliances represent simply a temporary coincidence of transient interests, with no binding commitment. This attitude comes on top of a latent xenophobia, which is part and parcel of the French subconscious and goes some way to explain the favourable reactions of French public opinion to the high-sounding declarations made by France at the stormy Washington energy conference in February. French anti-Americanism, however, is a complex feeling; it could perhaps be explained as a love-hate attitude towards the Anglo-Saxons, who have been successful for so long in the military as well as in the business fields. Envied and scorned, they are by turns admired and hated. Maybe the fact that France was freed from Nazi occupation by US forces is a traumatic memory which it is hard for a proud nation to overcome.

Whatever the motives, such an attitude involves certain dangers, as it often provokes almost instinctive reactions which do not relate to the problems in hand but are based on the supposed intentions of the adversary partners. When all is said and done, where were the hidden threats and the concealed pitfalls in the co-operation project put forward by the United States at the Washington conference, which was so hastily rejected by France? Here again, more weight was given to the form than to the substance.

But it is even more important to cast light on the rationale which for so many years governed France's attitudes towards the rest of the world. Gaullist foreign policy was carefully planned with an eye to the domestic scene. Maybe it was the only one which previous governments could afford, given the equilibrium of the political forces. Gaullism was essentially preoccupied with domestic policy issues and aimed at meeting the wishes of its supporters largely of the Right, but in external affairs it followed policies which the Left, bound by its own dogmas and therefore paralysed, could hardly oppose. Who, from the Communists to the extreme Right, wished to criticize the withdrawal from Nato, the constant challenging of the United States, or the rapprochement with Eastern Europe? Even the censorious *Le Monde* felt that it could not but support such policies.

In external matters, French policy adopted a consistent and deliberate attitude. It strove to combine the advantages resulting from a clearly autonomous policy with the benefits derived from participation in various forms of collective international arrangements. This was particularly true in regard of external security; while refusing binding commitments with-

in the Atlantic Alliance, France did not give up her participation in it, in order to benefit from the collective security linked to the presence of American forces in Europe. In the European Community, the attitude was similar. France was quite willing to take advantage of the common customs tariffs and the common agricultural policy, but was not prepared to give up much of her freedom of action in matters of economic policy.

The same attempt to maximize national interest has been tried as regards oil supplies, with France endeavouring to become a special partner of the Arab world in a bilateral framework, while at the same time hoping to benefit from any reductions in oil prices which the other consumer countries, either in the context of the Washington Agreement or through other means, might obtain. Briefly, this is what economists call the combination of internal and external economies or, as the English would put it, trying to have the best of both worlds.

The same kind of thinking is reflected in the ambiguity cleverly used by France in her declarations on external matters. Janus-like, she has stood for the emancipation of the underprivileged nations while at the same time having no qualms in pushing her sales of military equipment to a number of countries in Latin America, the Middle East, or South Africa, whose democratic reputation leaves much to be desired. Of course, in many Western countries the contradiction between lofty principles and down-to-earth commercial pursuits is a common occurrence, and in this respect France's attitude is not unique. But her policy has relied on very efficient means used with great skill. For a long time France's partners have been familiar with her adroit diplomacy which, when she chose, enabled her to create a commotion or a drama, to take a bold initiative, or to withdraw in anger. With its scant regard for the susceptibilities of others, this diplomacy had few, if any, inhibitions; self-confident and taking justified pride in its intellectual capacity, it never hesitated to ruffle its partners' feelings when a tactical gain could be achieved. However, in the long run these constant pin-pricks may well have caused wounds which will be difficult to heal.

Basic weaknesses

An analysis of the facts tends to demonstrate that the achievements of French foreign policy over the last sixteen years have, in many fields, been limited. This would seem to stem from three main causes. In the first place, and this may not have been sufficiently noted, one should stress the absence of a great vision inspiring and supporting French external policies. Indeed, in contradiction to the great political themes of the immediate postwar period—for instance, the Schuman Plan—which were at the origin of the negotiations on European unity, the only constant factor of Gaullist foreign policy seems to have been an almost obsessional preoccupation with the maintenance of the status quo. In her

diplomacy France has probably been the most conservative nation in the world today after the Soviet Union. Hence the refusal to accept any plan which would modify the existing state of affairs, particularly in Europe. This fundamental conservatism, already perceivable in the days of General de Gaulle despite some changes which took place at the beginning of his reign, grew into a real sclerosis of the political imagination and a total incapacity to even conceive of any possible change in the situation left when the General resigned from office.

The second characteristic of French policy has been its pessimistic analysis of the world perspective. Perhaps behind the attempted rapprochement with Eastern Europe there was, among other considerations, a preoccupation to be on the right side should the Soviet Union finally emerge as the dominant power on the European scene. France's dramatic vision of world developments goes back a long way. De Gaulle expected a third world war in the immediate postwar years. This approach, which pretended to be realistic, could be called neurotic and certainly bore the marks of the trauma of defeat. The logical consequence of such a mental attitude is that one is always on one's own, that one can rely only on oneself and on one's own strength. Solidarity does not exist, co-operation is a lure or, even worse, a snare. France is alone and must remain alone. Consequently, France's attitude towards her neighbours and allies is one of pessimism. She constantly questions the intentions of all and sundry, small countries being looked down on, and big ones viewed with mistrust. According to this approach, Germany will certainly turn neutral; the Americans are at one and the same time, and in a contradictory manner, accused of imperialism and of plotting to abandon their allies; the Eastern bloc, for which France has only kind words, is suspected, when all is said and done, of being up to mischief—consequently an autonomous striking force is indispensable. Thus French diplomacy developed the mentality of a man living in a state of siege, creating its own isolation and enjoying it, and gradually allowing itself to become a prisoner of its illusions.

The foregoing explains the third main characteristic of the Gaullist diplomatic approach: a refusal, sometimes deliberate, sometimes unconscious, to take realities into account. Facts were ignored or overlooked inasmuch as they ran counter to the analysis or to the accepted aims. To be precise, there was one area, that of the internal economic and political situation, where the greatest account was taken of realities; but in another, that of diplomacy, genuine action was replaced by logomachy. Nevertheless, one should bow to the acute sense of theatrical effect and stage setting, as well as to the outward perfection of the formulas which over a decade and a half succeeded, albeit with increasing difficulty, in creating the illusion that French diplomacy was bent on action.

It is in this light that most past French initiatives in foreign affairs must

be judged. Their main object was hortatory and did not, in fact, involve concrete suggestions leading to action: the Fouchet Plan, the Gaullist proposals in connexion with European union, or, more recently, the suggestions to discuss energy problems in the United Nations, the very organization called *un machin* by General de Gaulle, are all indicative of this attitude.

The same lofty contempt for everyday contingencies can be traced in the declaration of the Nine following another French initiative; the text is full of noble intentions, but it was unfortunately adopted just after the Anglo-French refusal to accept any form of solidarity regarding oil supplies to the European Community and while the representatives of the Arab countries were lobbying in Copenhagen. France's recent pactomania in connexion with oil, reflected in her tentative bilateral agreements with Arab producers, has been another demonstration of her attempt to protect her economy behind a paper shield from the upheavals affecting the whole Western world.

Limited achievements

As a result of having lived for a long time in a kind of pipedream, French diplomacy has been able to win only ephemeral successes. Its cornerstone was the policy inaugurated by General de Gaulle of building bridges to the East. It would be superfluous to go over the various stages of this policy which started with Khrushchev's visit to Paris in 1960 and attempted to resume the links which existed immediately after the Second World War. It is equally unnecessary to expand on the motives behind the policy, which have been analysed at length: a desire to assert French independence vis-à-vis the United States, a wish to obtain a larger degree of autonomy for the East European countries, and, last but not least, the establishment of special economic relations with the East.

What are the concrete results of this attempt after sixteen years? It is easy to see the malaise it has created in the Western Alliance and how it has made intra-Western relations more difficult. The positive aspects, however, are much less in evidence.

It is generally admitted today that the growth of economic relations with Eastern Europe, including the Soviet Union, has not come up to expectations. In 1973, sales to the Soviet Union constituted only 1·5 per cent of total French exports. Industrial co-operation has also been disappointing and most of it is still at the project stage. The main reason behind this state of affairs is the considerable discrepancy in the size and structure of the two partners' economies. The industrial capacity and financial possibilities of France are not large enough to back up a substantial degree of economic co-operation. The projects of some importance sponsored jointly by France and the USSR, such as the agreements with Renault and Pont-à-Mousson, have been mainly justified by poli-

tical considerations. In fact, one may wonder if France has not been the catspaw of Germany, the United States, or even Japan, who are far better equipped—as competitors—to derive economic advantages from political détente.

From the political viewpoint, it is equally difficult to discern the positive aspects of France's actions. Of course, judging by the pomp and publicity attending President Pompidou's trips to Peking and Moscow, Paris gave the impression of being a much-sought-after interlocutor. But here, too, wishful thinking seems to have hidden the hard facts.

Three major considerations apply to this situation. There is not, and has not been, any fundamental problem to negotiate with the East European countries, with whom France has no outstanding dispute or questions to settle. For Eastern Europe, the real interlocutors are Germany and the United States. Consequently, Franco-East European discussions mainly consist in an exchange of rather platonic expressions of goodwill of limited incidence. In view of her economic, military, and political situation, France is hardly in a position to exert a substantial influence on events. This was amply demonstrated by recent developments in the Middle East. Before that, there had already been the Bangladesh, Vietnam, and Biafra conflicts, when French attempts at mediation or intervention did not have the hoped-for effect. The third, and most important factor, is that détente has become institutionalized. The main partners have succeeded in establishing a direct understanding, by-passing their allies. As a consequence, France is losing her position as a privileged partner: inasmuch as there is no need for her as middleman, such a role may even become a hindrance. The dialogue between the two super-powers need no longer go through French channels. Moscow and Washington can come to agreements ignoring Paris if they so wish.

While it is indeed possible to appreciate the interest which the Soviet Union has in France, seen as a particularly well-disposed partner amongst Western nations, the situation has many drawbacks when viewed from the French side. France has tended to become a prisoner of her own attitudes and her freedom of manœuvre, on the European as well as the Atlantic scene, is quite limited in some respects. In this regard, Soviet reactions to the still remote possibility of a common European defence policy, or to the timid French attempts at a rapprochement with the Atlantic Alliance, are revealing.

France and the US

The second aspect of French external policy is the stubborn fight against what, in Gaullist language, has been called American 'hegemony'. This policy developed by stages: the withdrawal of French forces from Nato's integrated command, the occasional prohibition of American

investments in France, the fight against dollar supremacy with the demand that the US balance of payments be in equilibrium while at the same time converting French dollar holdings into gold. After the devaluation of the dollar, France started calling for a return to gold convertibility and for a system of fixed parities.

In this case, too, it is hardly necessary to expand on the transient and fragile nature of the successes obtained at the expense of the United States. The successive devaluations of the dollar have demonstrated the adaptability and flexibility of the American economy, as evidenced by the redressing of the US balance of trade after two years of deficit. Meanwhile, the French currency is going through a difficult period: the franc is floating and negotiations have recently taken place to obtain dollar loans to bolster it. It is obvious that, in this new context, it is no longer fashionable to ostracize American investments in France. In addition, the energy crisis will no doubt bring with it a sharp and brutal change in the relative positions of Western economies during the next few years. In the race for economic growth, the American giant will consolidate its lead and even increase the gap which the runners-up had succeeded in narrowing to some extent during the previous decade. The end of American economic supremacy, if that were the objective of French policy, will not take place in the foreseeable future.

It should be added that, with regard to security, the partial French withdrawal from the Atlantic Alliance has not, in fact, modified the fundamental issues. Almost ten years after this decision, security problems are still what they were, especially as a consequence of the constant reinforcement of the military power of the Soviet Union. This is demonstrated by the stubborn and possibly justified refusal of France to participate in the MBFR discussions and by French requests, often made at the highest level, that US forces be kept in Europe. The concrete gains derived from France's lonely fight, over sixteen years, against American power, are not self-evident.

France and Europe

In spite of its belated profession of faith, Gaullist policy was strikingly negative when it came to taking concrete and practical steps for the construction of Europe. This approach was clear from the start, and revealed itself in the language used. The expression *Europe des patries*, invented by Gaullist doctrine, represents one of those paradoxical formulas often found in political jargon; in fact, it embraced two mutually exclusive concepts: namely, that of Europe and that of Fatherland, understood in the narrow nationalistic sense.

The admitted French aim, which became apparent in the course of time, was to frustrate all attempts to create within the Community any autonomous decision centres that would not be strictly controlled by the

national authorities. The corollary was the retention of complete national freedom of action so as 'to keep all options open'. This is why France always objected to binding herself irrevocably in any sensitive area, refusing, for instance, to come to the aid of the Netherlands at the time of the energy crisis last October.

In a nutshell, Gaullist diplomacy seems to have attempted to use Europe for two specific aims. First, for many years now, it has seen it as a convenient means to make German industry subsidize French agriculture through the European Agricultural Fund; hence France's touchiness about the Common Agricultural Policy, at least for as long as it has paid off. Second, Europe has been used as a means to oppose the United States; behind the European shield, French diplomacy has attempted to hold American hegemony in check. The end to which Europe has clearly been only the means was the pursuit of purely nationalistic policies. Gaullist faith in Europe did not go much beyond that. France has thus succeeded in stultifying the development of the Community and limiting its function to that of a forum or a conciliation board for the solution of conflicting national interests. To move from a mere free trade zone into a really integrated economic community would have entailed acceptance of some limitations of national sovereignty. This has been the main stumbling block on the road to a unified Europe over the years.

Of even greater consequence is the risk—in the present difficult period which calls for reciprocal concessions—of a disintegration of what was achieved in the Community with regard to customs tariffs and agriculture when the European economy was booming. In any association it is clearly much easier to share in the joint profits than to accept joint sacrifices.

Relations with Arab countries

French policy towards the Arab countries has been consistent with General de Gaulle's decision to establish privileged relations with the Mediterranean nations. The recent oil crisis has given it a special priority. Here the tactic—also adopted by other European countries but in a less deliberate and systematic manner—has been to multiply the bilateral agreements with Iran and the Arab oil producers, while hoping at the same time to take advantage of any drop in crude oil prices which might result from collective action taken by the other industrialized countries.

For a number of reasons, however, this attempt may prove to be self-defeating. In the first place, the Arab countries represent particularly volatile partners; there is always the risk of a change of regime in countries with archaic political structures now facing a fantastic acceleration in the pace of socio-economic change, which would otherwise have taken place

at a more leisurely tempo. Some leaders have shown a capacity for volte-face which, to put it mildly, is at times disconcerting. Incidentally, the Arab leaders' attitude to France, considering their wealth and the modest requirements of their economies, is dominated by political rather than economic considerations. The oil embargo that triggered the crisis is a telling example.

Moreover, the agreements concluded with the Arab countries outline only general orientations, which must now be translated into concrete policies. In this respect, the experience with East European countries demonstrates the limitation of this type of arrangement. It is far from certain that France has the industrial capacity and flexibility to launch her industry on a massive capital-goods export drive. Such a decision would require a series of hard political choices.

But there is more to it. The options chosen by French diplomacy reveal ambitions which are in contradiction with the internal weakness of French society. The floating of the franc clearly reflects difficulty in coming to grips with the present inflationary pressures and is rather a bad omen. Not without some justification, France's leaders consider that she is unable to accept the drastic social discipline needed to pursue an independent policy aimed at attracting Arab funds. The Arabs are looking for long-term security and only a stable currency can guarantee it.

Indeed, in France inflation has always been a latent disease, ready to erupt in an acute form. Moreover, despite apparent signs of a healthy economic situation, French socio-economic structures remain very vulnerable. There are many reasons for this state of affairs. Consumption habits are known to be excessive. In addition, French capital has a reputation for being prone to nervousness and only too ready to bolt across the borders at the slightest sign of difficulties. Industrialization is still lagging and the economic—and political—importance of agriculture remains considerable. Lastly, the absence of a social consensus aggravates the internal fragility of French society. France continues to be a divided nation, where incomes are still unevenly distributed—a state of affairs which is causing growing resentment and irritation, and which the new Government will attempt to change.

The foregoing does seem to justify the doubts about France's ability to face in isolation the socio-economic difficulties stemming from the energy crisis.

Missed opportunity

It is always difficult to set out the criteria by which the results of a foreign policy can be assessed. What is the yardstick? The number of official visits, the length of the meetings with Chairman Mao, or the capacity to take the right options and influence the course of events?

Gaullist policy claimed to have got rid of the shackles which, sixteen

years ago, hindered its freedom of action. But is not this freedom more formal than real? As argued above, in three important areas France has not really been able to act either independently or significantly to alter the world balance of power. Conversely, with regard to Europe, she has achieved little more than to block the setting-up of a coherent European entity, thus depriving herself of the only means to achieve a powerful negotiating position through which she could have influenced world events.

After over a quarter of a century, France has not yet adjusted psychologically to her true dimensions. She has to determine her place on the world scene and within the European context. Diplomatically, she has lived for too long beyond her economic and military means. In this, she was helped by exceptional circumstances: a certain vacuum in Western Europe, the absence of any European statesman with the prestige and charisma to challenge the leadership of France, and the long period of economic euphoria which the energy crisis has now brought to an end. Indulging in this rather frivolous game may have helped to reduce the credibility of French diplomacy in Europe. A striking demonstration of this was the way in which the eight other EEC members accepted the American proposals in Washington.

The aims pursued with such obstinacy over the last sixteen years have created a vacuum which France has been unable to fill. In the long run the result might appear to have been a further Balkanization of Western Europe, breeding the very evil which France wanted to avoid: the Finlandization or neutralization of a part of the European continent. The sixteen-year period which has just come to a close afforded exceptional opportunities to create a new state of affairs within a European framework. The opportunity was missed. There may be a second chance now, although the odds against it seem formidable.

Italy—what next?

MURIEL GRINDROD

The Centre-Left formula has survived once more but the divorce referendum has dealt a heavy blow to the hegemony of the Christian Democrats. Much depends on the success of their economic stabilization programme, for which they need to win the co-operation of the trade unions as well as of their coalition partners.

ON 10 June Italy's coalition Government under its Christian Democrat Premier, Mariano Rumor, resigned. This was the country's thirty-sixth government since the fall of Mussolini in 1943—an average of just over one government a year. So it would be understandable if people found nothing epoch-making about this resignation, which, judging by past form, could be expected to end in a Cabinet reshuffle with most of the old faces reappearing in slightly altered relationships.

But this time things were different. Italy was in the midst of her most serious economic crisis since the war. Moreover, this Rumor Government had itself been in power for only ninety days, having been reconstructed early in March following the withdrawal of the Republican Treasury Minister, Ugo La Malfa, from the Cabinet. In June President Leone judged the situation to be so grave that he refused to accept Rumor's second resignation. So the coalition partners—Christian Democrats, Socialists, and Social Democrats, with parliamentary support from the Republicans—have been striving once again to compose their differences and provide the country with the strong lead it so sorely needs.

The immediate differences in June were basically of the same kind as those which had caused Signor La Malfa to resign from the Cabinet in March: how best to deal with the inflationary situation. Italy is facing an annual inflation rate of 20 per cent, a deficit in this year's State Budget of over 9,000,000 m. lire (over £6,000 m.), and a current account balance of payments deficit of 5,000,000 m. lire—due in part to oil, for the oil crisis has hit Italy particularly severely owing to her great dependence on non-domestic sources of energy. In February the Governor of the Bank of Italy, Guido Carli, and La Malfa himself had been in Washington negotiating a $1·2 milliard stand-by loan from the International Monetary Fund, a condition of which was that Italy should undertake to

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reduce her balance-of-payments and Budget deficits. La Malfa accepted this 'declaration of intent', which coincided with his own long-held views about the need for restrictions on credit and public spending. But he then found himself in sharp disagreement with his economic partner, the Budget Minister, Antonio Giolitti, a Socialist. For the Socialists feared the effects of credit restrictions, which they claimed would especially hit small and medium-sized businesses, put a check on industrial revival, and cause unemployment to rise.

La Malfa resigned on this issue and in the next Government was replaced at the Treasury by the former Finance Minister, Emilio Colombo (Christian Democrat), whose place at Finance was taken by a Social Democrat, Mario Tanassi, while Giolitti remained in charge of the Budget. Thus the original 'troika' of three economic Ministers from different parties (dating back to the Rumor Government of July 1973) was broken up. But even without the ever-critical La Malfa the tensions remained, only to emerge again in June when, in an even more critical economic situation, Giolitti with trade union backing still opposed the orthodox line of credit restrictions now put forward by Colombo. By that time the Socialists were in a considerably stronger position to contest Christian Democrat claims to dictate policies. For the Christian Democrats, though still of course numerically by far the largest party in the coalition (as they had indeed been in all post-war governments), had in the meantime suffered a severe rebuff in the referendum on divorce, held on 12–13 May.

The referendum on divorce

This referendum had obviously nothing whatever to do with the economic situation—it was, in fact, regarded by most people as a needless and pointless distraction in the midst of inflation. But its spectacular results were to affect the whole subsequent climate of opinion.

Nobody except the ardent 'anti-divorcists' had wanted the referendum: great efforts had been made to avoid it, and indeed the general election of 1972 had been called ahead of time in an attempt to stave it off. However, following the approval by Parliament of the law introducing divorce in December 1970, traditionalist Catholics had at once called for a referendum (as they were entitled to do under the Constitution) to abrogate it. They collected nearly three times the number of signatures required t substantiate their demand, and although the Constitutional Court twi declared the divorce law legal there was no way of evading their right pursue the referendum to its logical conclusion. It is worth mentioni here that the Italian divorce law is still one of the stiffest in Europe also that since its introduction a surprisingly small number of divorc some 66,000, have been granted.

The anti-divorcists, however, mounted a tremendous campai

representing divorce as disruptive of family life and threatening all sorts of dire consequences from bastardy to widespread forms of perversion should it be allowed to continue. In this they were joined, in the latter stages of the campaign, by the Christian Democrats, who thus found themselves alone with the neo-Fascist party, the *Movimento Sociale Italiano* (MSI), in advocating the law's abrogation.

The Christian Democrat party secretary, the vigorous Senator Amintore Fanfani, was the prime mover in leading his party to adopt this attitude. His motives in so doing are difficult to disentangle. He had rejected earlier Communist moves to reach an agreement with the Christian Democrats to avoid the referendum, which the Communists themselves feared since it might run counter to their own design of building an alliance of the Left, including Catholics as well as Marxists. Fanfani, in rejecting both these moves and the whole Communist idea of a 'historic compromise', encountered opposition from the left wing within his own party. He may have hoped, by demanding unity in his party on the divorce issue, to tighten up discipline among its divided factions; and to this end he also gave the campaign a strongly anti-Communist bias. But it is also worth remembering that Fanfani, who is now 66, in his younger days as a Christian Democrat politician was numbered among the 'Catholic integralists' with such companions as the more visionary and spiritual-minded Giuseppe Dossetti and Giorgio La Pira. All that was long ago, in the mid-1940s, and since then Fanfani, always the more practical man of action among that trio, had come far, to be regarded first as heir to De Gasperi and then as a reforming party secretary; several times Prime Minister, he had even been a candidate, though never successful, for the Presidency of the Republic. His dynamism is unquestioned, and so also is still, probably, his ambition. But who knows whether this unpredictable man may not to this day have retained something of his original rigid Catholic motivation.

Be that as it may, the outcome of the referendum was a severe blow both to the Christian Democrat party and to Fanfani's own position as its leading figure. Contrary to all expectations, 59·1 per cent of the voters came out in favour of retaining the divorce law, with only 40·9 per cent against it. Abstentions were not high—some 88 per cent of those eligible to vote did so. The most striking feature was that the 'no' votes, though naturally stronger in the North, were spread all over the country (it should be explained that a 'no' vote meant that one was voting against abrogation of the divorce law, a 'si' that one voted for abrogation—a puzzling method in itself for the semi-literate voter, but he had been subjected to so much propaganda beforehand that he could hardly go wrong). Even Sardinia and Sicily voted, if narrowly (51·7 per cent), 'no'. In the mainland South, 'si' votes did surpass 'no' ones (52·4 to 47·6 per cent), but even there Calabria (with the exception of that

trouble-spot Reggio Calabria) voted, again narrowly, 'no'. The strongest 'si' votes (60 per cent) came from the little province of Molise, isolated on the Adriatic coast between Abruzzi and Apulia, with little industry and neglected by Southern development schemes.

Differences between town and country voting still remained—for instance, in 20 provinces up and down the country only the provincial capital produced a 'no' majority while the countryside voted 'si'. This was true of the most strongly traditional Catholic area in the North, the Veneto, where Verona and Vicenza (Rumor's own town) voted 'no'. But more peasants who had abandoned the countryside to work in the towns seemed to have left their country prejudices behind them, to judge by the 'no' majorities in such Southern towns as Taranto, Catania, and Syracuse, and also in the new suburbs of Turin, largely inhabited by immigrants from the South, where the 'no' vote was as strong as in old Turin itself.

The voting cut right across both parties and class. Judging by the totals, between two and three million Christian Democrats must have voted 'no', though this was to be regarded as a vote purely on the issue of divorce and they might well return to vote Christian Democrat in the next general election. But, for the time being, Fanfani's confessional appeal, for a reversion to the massive anti-Communist vote of 18 April 1948, had failed. Instead, as headlines proclaimed, the 'Vendée' was ended, and Italy had shown herself a much more united and mature nation than had been expected either at home or abroad.

The swing away from the Christian Democrats and towards the secular parties was further substantiated in the regional elections held in Sardinia on 16 June. These elections, affecting an electorate of less than a million, were not particularly important in themselves, but they were the first test of strength since the referendum. The latter's big 'no' majorities could be attributed to popular feeling against Catholic interference in a civil issue, and not least, to exasperation at the vast sums of money spent on the campaign at a time of national crisis. But the vote in Sardinia did suggest the impatience about Christian Democrat hegemony had deeper roots.

New measures against inflation

This was how the Socialists chose to interpret the climate of feeling when they came to negotiate yet again with the Christian Democrats what measures should be taken to combat inflation. Other factors had meanwhile combined to strengthen the position of the secular and anti Right parties. Frequent bomb outrages in the earlier months of the year culminated, on 28 May, in the explosion of a bomb during an anti Fascist demonstration in Brescia: it killed six people (two more died later) and injured 79. This was the most serious outrage of its kind since

ıe bomb attack of December 1969 in Piazza Fontana in Milan and, nlike that occasion, the perpetrators were at once identified as Fascist. 'wo days later an extreme-Right training camp and explosives dump as discovered by a police patrol near Rieti. The country, in fact, was ıreatened by extremes of violence and lawlessness as well as by inflation.

In this situation, after President Leone's rejection of Signor Rumor's ·signation in mid-June, the patched-up Government once more strove , reach agreement on the anti-inflationary measures. By that time the rgency of Italy's situation had been recognized by the Group of Ten ·'inance Ministers of the main industrialized countries who, meeting in V'ashington on 11 June, agreed that gold could be used as collateral for nternational borrowing. This would especially help Italy, as about two-hirds of her very considerable reserves are in gold.

The Socialists still insisted on some relaxation of credit, and in the ·nd at least secured the synchronization of increases in taxation and enewed availability of credit, as against Colombo's and Carli's advice hat taxation increases should come first and credit relaxation only later. l'he package of measures for which Signor Rumor secured the Chamber's pproval on 28 June included stiff new (mainly indirect) taxes, amounting o over 3,000,000 m. lire (£2,000 m.) and the restriction of credit to 2,400,000 m. lire (£14,500 m.) for the year ending March 1975. This ıas in fact the credit ceiling recommended by the IMF when granting :s loan in February, and was, in the words of *The Economist*, 'marginally inder' than the ceiling recommended by the Bank of Italy. Direct axation would fall especially heavily on the high-income groups while, s a concession to the trade unions, the lower limit for paying income tax ,as to be raised from 840,000 lire to 1·2 m. lire. There were to be in-reases in revenue tax on companies, in VAT, and in electricity, gas, and ocal transport charges. The price of petrol was to rise by 40 lire to 300 re per litre (90 p. per gallon) for super grade. Both industry and the rade unions still regarded the credit policy as far too tight, industry earing bankruptcies and cuts in production and the trade unions fearing rise in unemployment. But it was hoped by these measures to curb ıternal monetary demand and so overcome the non-oil deficit in the alance of payments.

How far these measures will prove effective remains to be seen. On heir success depends the fate of the Rumor Government. And if and ·hen it falls, what happens next? Another Centre-Left coalition on imilar lines? Italy plainly needs a strong government, but the predomi-ant Christian Democrat party has thrown up no really outstanding ·ader since De Gasperi—the nearest approach to such a man might erhaps have been Senator Fanfani, whose reputation is now in eclipse)ossibly temporarily, one has to say, given his astounding resilience). 'ertainly no such figure has appeared on the Right, and the extreme-

Right's methods, with its subversive plots and crude violence in the style of the Brescia bomb, can only alienate public opinion, which has not forgotten the past experience of dictatorship. Moreover the situation today is very different from that which produced the rise of Fascism in the early 1920s. To mention only two factors, the Communists now control over a quarter of the electorate, and trade union power is on the increase. The impact of the referendum results may have brought a stage nearer the day when the factious Christian Democrat party, after nearly thirty years of rule, may have to consider power-sharing with the Communists—as far back as 1970, the left-wing Christian Democrat leader, Aldo Moro, said that his party might find its years of relative majority measured if it were to lose its religious cohesion and fail to find a new clear identity. The Communists themselves show no hurry about pressing to enter government: their leader, Enrico Berlinguer, believes that events are in any case moving towards his 'historic compromise' of all left-wing groupings. Italy and Britain share depressing points of similarity in their disastrous economic situations; but, given the polarization of opinion in Italy and the presence of that other State, the Vatican, across the Tiber, the formation of a national Government to deal with the emergency would present even greater difficulties there. So the question still remains—what next?

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lotes of the month

IN AMERICAN PRESIDENT RESIGNS

'HE new President of the United States, Mr Gerald Ford, himself called he long-drawn-out sequence of sensations that brought him to office n 9 August the Watergate 'nightmare'. Observers abroad, and many ımericans, wondered that the United States had allowed the trauma to ontinue for over two years; the break-in to the Democratic party's eadquarters in the Watergate building was discovered in June 1972, lthough it was not until the spring of 1973 that congressional enquiries egan to reveal the full extent of the White House's involvement. But in he end it could be said that nothing became the American Presidency o well as Mr Nixon's leaving it. Once it was undeniable that he was unfit ɔ hold the most powerful office in the land—indeed, in the world—then ne first President to resign was forced out with decisive speed and his uccessor took over with remarkable smoothness. The country was saved ıe long and painful process of an impeachment trial and the Presidency self is being cleansed of the accretions that Mr Nixon had attached to it ı order to strengthen his own personal position.

After nearly 200 years the American Constitution is still effective, the balance of power still works. It was the combined efforts of the judicial and legislative branches of the government and the press, backed by the loyalty of civil servants and the moral outrage of the average citizen, that checked the trend towards concentrating more authority in the White House, once Mr Nixon and his staff, with their arrogance and insensitivity, were suspected of abusing the powers of the executive. The trend began in the 1930s, in response to the needs of the times, and the need persists for a more efficient centralization of the federal government's activity, accompanied by greater devolution to the governments of the states. But future Presidents have now been warned that this need does not justify by-passing constitutional processes.

The extent to which Mr Nixon was allowing this to be done would never have come out if he had admitted his responsibility for the Watergate affair at an early stage, for he would almost certainly have been forgiven at that point. Indeed, excuses might have been found for him if he had resigned at a later stage, as it was often suggested that he should have done so that America could get back to its normal business. Only when the Supreme Court left Mr Nixon with no escape from handing

over the tape recordings which demonstrated that he had known ab Watergate almost from the start was his complicity finally prove although he himself did not have the grace to admit it, even in his re nation speech. He blamed only the erosion of his support in Congress his inability to continue—an erosion that was hardly surprising when had lied to those who had jeopardized their own political futures opposing his impeachment.

Now that Mr Nixon is a private citizen, he can be charged in ordinary courts with obstructing justice, which was the main indictm against him in the impeachment recommendations approved by Judiciary Committee of the House of Representatives. He might also charged with tax evasion, with misuse of government money, w illegal spending in his re-election campaign, and with other misde which came up during the various Watergate investigations. It see almost certain that he will be forced to give evidence in the cases that under way against his subordinates, Mr Haldeman, Mr Ehrlichm Mr Mitchell, and others. If they are convicted, as some of the les conspirators have already been, many people will feel it unfair for Nixon to escape. On the other hand, he has already paid the uni penalty of loss of presidential office and his unfitness for that office is n obvious: there can no longer be much danger that in the future his frie will contend that he was the martyred victim of his political enemi in the earlier stages this was the main argument for persisting until the evidence had been brought out in impeachment proceedings. For moment most Americans would like to forget all about Watergate a leave Mr Nixon to languish in San Clemente. But the mood may chan

Relief that the nightmare is over and that the man and not the syst turned out to be at fault is little comfort to those voters who, less tha two years ago, gave that man the biggest majority that any America President has ever had. Admittedly, the Democratic alternative, Mr McGovern, had few of the qualities that are expected in a President admittedly, the voters circumscribed Mr Nixon, or thought they had, by giving him a Democratic Congress; and, admittedly, he deceived eve some of those closest to him until the very end. But the Watergate affai follows upon a series of disasters—the Kennedy assassination, the riot of the 1960s, the war in Vietnam, the revolt of the young people. Presider Ford is taking over a country that has lost its confidence, is exhauste emotionally, and wants only to be left alone.

From what is known of him, he will be ready to do this, if circumstanc permit. He is well qualified to be a conciliator, to bring a fresh atmosphe into the White House, as he is doing already. But he is not a man of gre imagination or ambition, nor is he committed to any definite programm since he did not campaign for the Presidency. He was chosen as Vic President by Mr Nixon last October, when Mr Agnew was forced

ɜsign. Mr Ford had been a member of the House of Representatives, ·om Michigan, for 25 years, and his main qualification was his popularity ·ith almost all sections of Congress. That popularity is also his great sset now, since he has promised to draw the legislature back into the overnmental process after the neglect of the Nixon years. Already Mr 'ord is enlisting Congress's assistance, as he must do, in dealing with the conomic situation, which inflation has made a matter of priority in the 'nited States as elsewhere in the world.

If Mr Ford is lucky, the forecasts of a gradual improvement towards the nd of the year will prove correct. But the disappointing harvest will not e helpful and will reinforce the fears of those who prophesy a real epression as the final disaster of the decade. The inflation might not ave got so out of hand if Mr Nixon had given more attention to it and ·- to his personal concerns. President Ford inclines to the conservative : on economic as on other matters and, for the present at least, he is :eping his predecessor's economic team as he is keeping the other embers of Mr Nixon's Cabinet and his top administrative appointees, though not his personal advisers.

Most important, of course, Dr Kissinger is staying on at the State epartment to give continuity to what has been an outstandingly ıccessful foreign policy in most respects. Mr Ford has little experience this field but at least he will not be under pressure to produce instant iumphs abroad in order to divert attention from his personal troubles at ›me. So, if the international situation allows, there may be less crisis plomacy and more long-term negotiation during the Ford Presidency an there was under Mr Nixon. Abroad as at home, Mr Ford promises ›-operation, openness, and honesty. There is even a prospect that in its ıthusiasm for the new President Congress may give him an acceptable ade Bill. That would be a good start for the hoped-for renewal of partisanship in foreign affairs. As a Congressman Mr Ford was a hard-ıer on international, particularly defence, questions, and the same ›plies to Mr Nelson Rockefeller whom he has chosen as his Vice-Presi-·nt. The choice is a commendable one not only because Mr Rockefeller well known and well liked (in spite of being a multi-millionaire) all 'er the world, but also because he is a sophisticated administrator, with perience both in Washington and as Governor of New York state. His ıly failure in political life has been his inability to win the Republican 'esidential nomination, because he was too liberal on domestic matters, ıt in this as in many other ways he brings to the new Administration ıalities which Mr Ford appears to lack. Traditionally, Vice-Presidents e given little opportunity to employ their talents but, if Mr Ford 'eaks that tradition, Mr Rockefeller will be a great asset to him.

NANCY BALFOUR

GREECE AND THE CYPRUS CRISIS

EVER since the overthrow of President Papadopoulos in November 1973 and the abrupt termination of his plans to steer Greece towards a 'guided democracy', the successor military regime of General Gizikis, in which the real power was held by Brigadier Ioannidis of the ESA or military police, had manifested signs of drift and incompetence in both domestic and foreign affairs. But few observers can have expected that, more than seven years since the original coup of April 1967, military rule would seemingly crumble with such rapidity, to be replaced by a civilian government, headed by the conservative politician Constantine Karamanlis and consisting almost exclusively of known opponents of military dictatorship in Greece.

As was the case with Portugal, the immediate cause of the downfall of the dictatorship was to be found outside rather than inside the country. The bungled and ill-conceived attempt to oust President Makarios and bring about what would have amounted to a de facto, if not de jure, union of Cyprus with Greece provoked Turkey's military intervention. The resultant diplomatic and military humiliation of Greece gave certain sections in the Greek army the opportunity to force Gizikis to install a civilian government to save what could be saved from the wreckage of Greece's Cyprus policy, and to rectify the seven-year 'anomaly' in the country's political life.

The dispute between Greece and Turkey over the right to prospect for oil in the Aegean had given rise earlier in the summer to much sabre rattling and had briefly raised the prospect of armed confrontation. Athens' espousal of an increasingly aggressive line in its relations with President Makarios prompted the resignation of the Greek Foreign Minister; relations between Nicosia and Athens reached an unprecedented degree of tension when Makarios on 6 July released the contents of a letter to Gizikis, in which he claimed to have irrefutable evidence of links between the EOKA-B terrorist organization and Greek officers of the Cyprus National Guard, whom he also accused of plotting his overthrow. He demanded the withdrawal from the island of almost all the 650 Greek officers of the National Guard.

Following ten days of increasing tension between Nicosia and Athens, on 15 July the Cypriot National Guard led a coup against Makarios with the apparent support of the 950-man Greek army contingent stationed on the island. The new regime announced that Makarios had been killed and that the former EOKA terrorist, Nikos Sampson, had been appointed President. In fact, although the forces loyal to Makarios, principally consisting of his Tactical Police Reserve, were soon overcome, Makarios himself managed to hold out for over 24 hours in Paphos, until his rescue by British helicopter, the first stage of a journey that was to take him to London and to the United Nations in New York.

Britain, while continuing to recognize Makarios as the legally elected head of state, made it clear that she was not prepared to exercise her right of intervention under the 1960 Treaty of Guarantee. Instead, the British Government called on Greece to 'replace' the Greek officers seconded to the National Guard and, as a guaranteeing power, to send a representative, together with Turkey, the third guaranteeing power, for urgent talks in London. In fact, only the Turkish representative, the Prime Minister Bülent Ecevit, arrived in London. The British Foreign Secretary, James Callaghan, who was later joined by the US Assistant Secretary of State, Mr Joseph Sisco, exerted considerable pressure to prevent Turkey exercising her right under the 1960 treaty of unilateral intervention to restore the status quo, and to induce Athens to recall the National Guard officers involved in the coup. Mr Sisco subsequently visited both Ankara and Athens to urge moderation.

Athens, while stressing that it had no part in the anti-Makarios coup, which it considered to be a purely internal Cypriot affair, agreed to 'replace' the officers. But Turkey, not satisfied that diplomatic pressure in itself was likely to bring about a satisfactory solution to the crisis, in the early hours of 20 July landed troops in the Kyrenia region of Cyprus in what she described as a police action, thus precipitating the real threat of outright military conflict between two Nato allies.

Both Greece and Turkey mobilized and in the ensuing bitter fighting on Cyprus the Cypriot and Greek forces gave a better account of themselves than expected. Following a United Nations Security Council resolution and intense pressure by Nato, and more particularly by the US Administration which had appeared rather slow in appreciating the gravity of the crisis, both parties agreed to a ceasefire, as a preliminary to tripartite British, Turkish, and Greek talks to secure a permanent settlement. At the same time, the new 'president' of Cyprus, Nikos Sampson, stepped down in favour of Glafkos Clerides who, as speaker of the House of Representatives, was the constitutional head of state in the absence of the President.

It was at this point that the Greek military regime, which, although unpopular, had hitherto exercised iron control within the country, began to dissolve. After forty-eight hours of rumour and speculation, including a report that General Davos of the powerful Third Army Corps stationed in northern Greece had issued an ultimatum demanding a return to civilian rule, General Gizikis summoned a conference of military leaders and a number of senior former politicians. Soon after this meeting, the 67-year-old Karamanlis, a successful Prime Minister of the country between 1955 and 1963, was summoned on 23 July from a self-imposed eleven-year exile in Paris, to oversee the necessarily difficult process of a return to civilian rule.

After being sworn in as Prime Minister in the presence of Gizikis,

Karamanlis rapidly set about constructing a government. This was predominantly Right-Centre in complexion, with almost all its members noted opponents of the junta. The Foreign Minister, George Mavros for instance, had recently been detained on the notorious prison camp island of Yaros. Karamanlis made it clear that the first priority facing his government was a settlement of the Cyprus question, and Mr Mavros attended the Geneva peace talks from 25 to 30 July, together with Mr Callaghan and Mr Turan Gunes, the Turkish Foreign Minister. Allegations of Turkish infringements of the ceasefire led to some tense and lengthy sittings of the conference, accompanied by threats of a walk-out, but on 30 July an agreement was reached on a ceasefire. This provided for a buffer zone under UN supervision around the Turkish-held enclave linking Nicosia with Kyrenia, and for a Greek evacuation of Turkish Cypriot areas elsewhere on the island. The second Geneva conference, convened to discuss the constitutional future of Cyprus, broke down in the early hours of 14 August in the face of Turkish obduracy. The collapse of the talks was immediately followed by renewed fighting in Cyprus, as the Turks sought to increase the area under their direct military control. The UN Security Council once again called for a ceasefire, while Greece announced that she was withdrawing her armed forces from Nato, though retaining political ties with the alliance.

The first Geneva ceasefire agreement had enabled the Karamanlis Government to demobilize in stages but, as the initial euphoria with which the Greeks had welcomed the downfall of seven years of military dictatorship began to wane, they realized the magnitude of the task facing Karamanlis in his mission of returning Greece to constitutional rule. His most important task was to ensure not only that the army returned to the barracks but that it stayed there. The transference of political power to civilians was very much the result of a revolution from above and the army which had summoned Karamanlis to power retained the capacity to remove him from office. The Cyprus crisis, and the external pressures on Greece, enabled Karamanlis to resist demands for instant retribution and to avoid taking steps which might have provoked a backlash from the army; yet the possibility of national humiliation over Cyprus was an additional factor making for uncertainty. The command structure of the army was retained basically unchanged, but Brigadier Ioannidis, the head of the dreaded military police, ESA, which had been responsible for a good deal of the brutal treatment of opponents of the regime, was given six months leave 'at his own request', and some of his immediate subordinates were dispersed to frontier units, while the ESA was stripped of its non-military police functions. The Minister of Defence, Evangelos Averoff, regained control over army appointments, which had hitherto been in the hands of service councils, while crack units which had been

aintained in the Athens region during the dictatorship were dispersed the frontier areas.

The second major problem confronting Karamanlis was the integration of the Left, which was widely believed to have gained in strength uring the political vacuum of the Colonels' rule, into Greek political fe—not an easy undertaking for a man of Karamanlis' political experince and temperament. Ilias Iliou, the leader of the left-wing EDA party, nd Haralambos Drakopoulos, General Secretary of the dissident Communist Party of the Interior, expressed public support for the Government and urged restraint on their followers, but the Moscow-oriented fficial Communist Party called for immediate 'democratization'. The ost uncompromising stand was taken by Andreas Papandreou, the xiled former Centre Union politician, who denounced the formation of e Karamanlis Government as a democratic facade cooked up by Nato d the Americans, claiming that the same forces were now in control of reece as during the days of overt military dictatorship. It was thought robable that Karamanlis, regarded as a bogeyman by the Left in the 950s and early 1960s, would sooner or later legalize the Communist arty which had been banned since 1947.

Yet despite some criticism from the far Left it was clear that Karamanlis enjoyed the positive support of a wide consensus of political pinion of all shades within Greece. All political prisoners were immeditely released, and he went some way to meeting demands by opponents nd victims of the junta for retribution by summarily dismissing prefects, nayors, and senior civil servants appointed by the regime, including he head of the security police, while reserving powers to remedy infracions of civil liberties since 1967. He annulled the 1968 Constitution, as mended in 1973, and restored the 1952 Constitution, while leaving the rticles in it relating to the monarchy in abeyance. The powers of head of tate ad interim are to be exercised by the President until the constitutional tatus of Greece has been freely determined by the people, although the recise way in which this is to be done, e.g. by referendum or contituent assembly, has not yet been specified. Clearly, however, Karamanlis was in no hurry to settle the question of the monarchy, the precilate restoration of which could provoke a reaction both from within the rmy and from the Left.

A further major problem was posed by the country's economic diffiulties, with inflation running at well above 30 per cent and the country's ourist trade, a vital element in the balance of payments, seriously eopardized by the crisis. But the probable 'unfreezing' of Greece's 1962 reaty of association with the EEC should make development funds more eadily available, while Karamanlis' economic team of Xenophon Zolotas at the Ministry of Co-ordination and John Pesmazoglou at the Ministry of Finance is particularly strong.

It will clearly be a long time, if ever, before a stable solution is found to the constitutional problem in Cyprus, before the bitterness engendered by intercommunal and Greek–Turkish conflict is healed and, indeed before the rift in Nato's vital south-east flank is repaired. As the Cyprus situation moves towards deadlock, it is increasingly apparent that only a much more robust British interpretation of her rights and obligations under the 1960 treaty of guarantee could have averted the present situation, which is likely to fester for the indefinite future.

Yet if the prospects for a lasting Cyprus settlement are gloomy the auguries for a return to constitutional rule in Greece are reasonably good, provided a course can be steered between the Scylla of an army backlash and the Charybdis of left-wing demands for instant 'democratization'. If Constantine Karamanlis is unable to lead Greece back to an acceptable form of parliamentary democracy, then it seems unlikely that any Greek politician can.

RICHARD CLOGG

TURKEY AND THE CYPRUS CRISIS

As this note goes to press, the outcome of the Cyprus crisis is still in doubt. What follows therefore tackles a limited task—to outline the basis of Turkish policy towards Cyprus and its conduct between the overthrow of Makarios on 15 July and the signature of the Geneva agreement fifteen days later. It concludes with a summary of prospects on the Turkish side, both military and political, as they appeared before the second Turkish attack.

Turkish objectives and proposals. It would be safe to say that in determining its political strategy on Cyprus the Turkish Government has to consider two overriding interests: firstly, the protection of the liberties and welfare of the Turkish Cypriot community, which makes up 18–20 per cent of the island's population; secondly, the creation, if possible, of good-neighbourly relations with Greece. None of the major political parties in Turkey demands permanent and total annexation of the island. Moreover, Turkish public opinion on the Cyprus problem is only seriously aroused if and when the Turkish Cypriots are in evident danger; for example, during Turkey's last general election of October 1973, when the island was relatively quiet, Cyprus received next to no mention in most politicians' campaign speeches. In other words, there is nothing on the Turkish side strictly comparable to the dream of *enosis* long cherished and nurtured by many Greeks. Equally, a Cyprus settlement which leaves Greece embittered and uncooperative makes it far more difficult for the two countries to settle other outstanding problems. Of these, the dispute over offshore oil rights in the Aegean, and demilitarisation of the Greek Dodecanese islands, supposedly guaranteed in 1945, are currently the most important.

Granted these objectives, how have past and present Turkish governments sought to achieve them? The unitary, bi-communal Cyprus established by the agreements of 1960 has long been regarded as unsatisfactory by Turkey since, in Turkish eyes, it offered ineffective checks to domination by the Greek majority. The 1960 Constitution was in any case formally and unilaterally abrogated by Makarios in 1964. In the last analysis, the only real safeguard against *enosis* was armed intervention by Turkey, which was threatened in 1964 and 1967 and finally resorted to in 1974. This is, however, a highly unsatisfactory form of guarantee. In the first place, it poses the risk of war between two Nato allies; in the second, it does not in practice provide full protection for the Turkish Cypriots. Only about half the island's Turkish community live in the area between Kyrenia and Nicosia, the remainder being scattered in enclaves in the towns of the south and east coasts, or in isolated villages dotted around the interior. Thus, to give physical protection to the whole Turkish community, Turkey must have something like total military domination of the island, and international pressures are likely to enforce a ceasefire before she can achieve it.

Faced with the inadequacy of the 1960 arrangements, Turkish governments have adopted two policies. One proposal, partition of the island into two distinct Turkish and Greek portions, each linked to its respective mainland, was put forward by the Menderes Government in the negotiations of the 1950s and still commands some support in Turkey. However, while offering a crude answer to the Turkish Cypriots' plight, partition would create enormous economic, political, and human problems. For example, the grape-grower strongly attached to his land in the Limassol area would have to acquire new skills to live on the Kyrenian mountainside.

The second policy, federation, involves the maintenance of an independent Cyprus and the creation of several separate Turkish cantons having local administrative autonomy. An undefined range of functions would then be left to the federal government. The latest programme of the social democrat Republican People's Party, the major partner in the present coalition Government, states the party's belief that 'this can be achieved without major changes in the present pattern of settlement, which would create serious upsets for the people'. This point was repeated by the RPP leader, Prime Minister Bülent Ecevit, in a policy statement of 4 August 1974. In forming his coalition with the radical-Islamic National Salvation Party in January 1974, Ecevit secured common commitment to the aim of an 'independent federal state' in Cyprus. On 1 August, however, the NSP leader, Necmettin Erbakan, was reported to have said that 'for the Turks, an administration attached to the Greeks—under the guise of administrative autonomy—can never be contemplated'. Only seven of the 25 members of the Cabinet are NSP

deputies but, conceivably, the Prime Minister may have to make so concessions to Erbakan's more hard-line position to preserve Cabi unity. Moreover, whatever form of federation may be proposed, its in plementation would undoubtedly pose enormous problems, granted tl deep-rooted divisions in the island.

The conduct of policy, 15–30 July. Turkey could not fail to react to th installation of Nikos Sampson as President of Cyprus on 15 July. Thi coup represented de facto *enosis*. The new President's claims of goodwi towards the Turkish community had no credence, in view of his recor during earlier inter-communal disturbances. Turkey's reaction can b seen as part of a classic example of conflict escalation. Exercising he rights under Article 4 of the Treaty of Guarantee, Turkey first ap proached her co-guarantor, Britain, for some form of joint intervention backing this up by gathering invasion forces. This combination of threat and negotiations failed to produce a reversal of policy by the Greek junta and Turkey consequently proceeded to the next stage of escalation b landing troops around Kyrenia and near Nicosia on the morning of 2 July. The following stage, probably a war between Greece and Turkey i Thrace, was avoided by joint acceptance of a ceasefire on 22 July and M Karamanlis's appointment to the Greek premiership the following day The Greek National Guard's resistance was stiff, however, and the 2 July ceasefire apparently left Turkish forces without full control of thei admittedly limited objectives. This probably accounted for further troo movements and reinforcements after this date.

At the same time Mr Ecevit seized the opportunity of the change o regime in Greece, which Turks saw as the happy outcome of their militar initiative, to attempt to create better overall relations with his Greek neigh bours. He paid warm compliments to Mr Karamanlis, a fellow-oppone of military rule, and (apparently at Dr Kissinger's prompting) he invite the Greek Prime Minister to a summit conference at Geneva at whic presumably, a range of Greek-Turkish problems could be discusse This proposal was accepted by Athens, for an undetermined date. Aft numerous threatened breakdowns, the tripartite Geneva meetings 25–30 July produced a second ceasefire agreement which, by speakin only of the 'timely and phased reduction of . . . armed forces' on th island, appeared to concede the basic Turkish demand that withdraw should be dependent on the establishment of constitutional arrangemen broadly acceptable to the Turks.

Military and political implications. In determining the aim of th invasion the whole background to the dispute had to be borne in min The mission assigned to the military commanders was by no means straightforward as the destruction of their enemies and the seizure of th island. Prime Minister Ecevit declared: 'The Turkish Army will not onl safeguard the security of the Turks living on the island but also th

curity of the Greek community already invaded by Greeks from the mainland'. The task called for considerable finesse and restraint. Further limitations on the conduct of operations were imposed by the need to retain the unprecedented degree of world sympathy for the Turkish position. This sympathy could have been dissipated by the use of undue force or by harming foreign holidaymakers who were still on the island in large numbers. Casualties to UN forces dispersed throughout Cyprus would also have had adverse repercussions. Alert to these dangers, the Turkish Radio reported that the invasion forces had orders not to open fire unless forced to, because they were taking part in a pacification operation. However, the invasion seems to have been less successful than anticipated, and by subsequent military advances the Turks appeared to disregard what should have been their secondary objective, namely, the establishment of better relations with Greece.

Of the political effects of the crisis so far, its implications for Turkey's internal politics have received little public attention, but are of some importance. The October 1973 elections had ended some thirty months' shadow-rule by the Turkish military, but Ecevit's coalition had been a precarious one and had narrowly escaped collapse on domestic issues during May–June 1974. In the euphoria in Turkey during the first week of the military intervention in Cyprus, some commentators pointed to Ecevit's much enhanced popularity and predicted that his re-election was a near certainty. Nevertheless, it is not easy to see how Ecevit can turn his popularity to immediate electoral, and hence parliamentary, advantage. The present Turkish electoral law, which requires primary elections followed by a set period of campaigning, virtually rules out a snap election of the British type. According to the hitherto accepted timetable, Turkey will not go to the polls until October 1977, by which time other pressing domestic problems may well preoccupy the electorate.

In Cyprus itself, the political outlook for Turkey was also hazy as the delegates assembled for the second round at Geneva on 8 August. Turkey's advantage lay in the fact that she now had some 30,000 troops on the island to be used, at the least, as a bargaining counter for an acceptable political deal. For the first time, Turks controlled an outlet to the sea, at Kyrenia. On the other hand, many Turkish Cypriots—perhaps as many as half—were still outside the zone controlled by the Turkish Army, and were effectively hostages of the Greeks. Allegations of atrocities on both sides had soured the political atmosphere, while continued violations of the ceasefire had—rightly or wrongly—robbed Turkey of some of the international support which she had enjoyed at an earlier stage of the crisis.

W. M. Hale and J. D. Norton

Britain and the Community: the meaning of renegotiation

SIMON Z. YOUNG

Having united the party before the election by the undertaking to renegotiate the terms of Britain's entry into the Community, the Labour leadership now faces the reverse problem of producing terms acceptable to the opponents of continued EEC membership.

WHAT are the renegotiations about? Or should one rather ask, what are they *for*? Are they self-explanatory and to be taken at face value, or are they a political device, even a political charade? In the renegotiations, as in the original entry negotiations and in international transactions generally, the 'outside story' of public statements and agreements reached may depend in part on an 'inside story' of unfolding political will and intention, and private understandings and political relationships. However, it can happen that some results of the 'outside story', embodied in legal texts and words standing on public record, can outlast the 'inside story' of what the original participants may have believed they were really achieving. The leading signatories of the Accession Treaty have departed from power: the Treaty remains.

The technical problems of renegotiation, therefore, though far from being the whole reason for the operation, are not imaginary. Britain's Foreign Secretary, Mr Callaghan, announced to the Council of Ministers of the Nine on 1 April that the Labour Government intended to proceed precisely as promised in their electoral manifesto. This was widely treated as a deeply shocking statement. The manifesto, however, is proving more flexible than supporters or opponents of continued membership feared or hoped. In part this simply illustrates the difficulty of devising texts that will bind governments, and which cannot be interpreted according to the political will of the moment. But, more importantly, the manifesto in its plain meaning is not a programme for withdrawal.[1]

[1] For a summary of the manifesto's points and their implications, see my short note in *The World Today*, April 1974.

Mr Young is head of the International Affairs section of the House of Commons Library and author of *Terms of Entry: Britain's Negotiations with the European Community 1970–1972* (London: Heinemann, 1973); he writes here in his personal capacity. Another view in what remains a highly polarized debate was put forward by Mr Peter Blaker, MP, in the August issue of *The World Today*.

,abour and the Community

Complete or partial withdrawal from the Community must mean that Iritain either ceases to be a member, or continues only on special conlitions, i.e. is in part permanently exempted from the provisions of the riginal treaties and the legislation enacted under them. The manifesto, owever, takes the completely different line that continued membership lepends first on the Community changing itself into a form acceptable to he British Government, and secondly on the consent of the British lectorate. The Treaty of Accession, which provides for Britain's proressive integration into the Community, and the European Communities ct 1972, which makes the Treaty enforceable in British law where ecessary, are not even mentioned directly in the manifesto. Labour, herefore, has officially affirmed the possibility of a beneficent enlarged ommunity, and is committed to a programme of Community reform— ut with the important proviso, which at least offers an outlet for fundaiental opposition, that continued membership be subject to the verdict f the British people.

The objectives laid down in the manifesto are not all difficult to attain.)nly in two, admittedly crucial, areas do they require changes in existing ommunity systems—the Common Agricultural Policy and the budget. rguably, too, Community provisions on capital movements need to be hanged to conform to the manifesto's principles, but this seems more a iatter of adjusting theory to reality than of changing actually functioning, eveloping systems. All the other demands relate to the future course of ommunity policy, over which Britain would in any case possess, at ast in practice, a veto.

The paradox of the manifesto is then that its ambitious demands for reform of the Community, which may well have been acceptable to many anti-marketeers in the hope that they would be refused by the Eight, are actually politically easier to meet than a programme more narrowly directed to British interests, but requiring amendment of the Accession Treaty. This not only would need the consent of national parliaments in the Eight, but would involve a symbolic repudiation of the agreement finally reached in 1972 that would be difficult for other Community governments to accept.

Labour's proposals, as presented by Mr Callaghan to the Council on 4 June, therefore leave intact the existing bases of the CAP and the 'own resources' budget system in the Treaties and subsequent Community legislation. It is proposed that the nine Governments, using their powers under the Treaties as they stand, superimpose further corrective systems on top of the existing structures. For the budget, Mr Callaghan suggested that the inequities of revenue collection be corrected by compensatory weighting of net expenditure in countries of below-average GDP. For the CAP, he recognized the basic principles of Community preference, a

common agricultural market, and price support. However, within th theoretical framework, he suggested that existing differences in nation agricultural price levels, which are officially lamented as a departure fro the CAP, be used as a starting point for deliberate differential pricin These agricultural proposals, as developed in detail by Mr Peart in th Council of Ministers on 18 June, will be examined by Mr Trevor Parfi in the next issue of this journal. The background and prospects of th budget proposals are considered below.

The own resources system

Under the 'own resources' system established in April 1970, th original Six will, from 1975, pay into the Community budget all custom and agricultural levies. The remainder needed was to have been supplie by an up to 1 per cent VAT of uniform coverage, but this has had to b postponed and replaced by special national contributions. Each country' total annual payment is tied to a percentage key roughly proportionate t GNP (slightly variable, by 2 per cent of the previous year's percentage until 1977: thereafter revenue collection is 'automatic', depending on th yields of customs and levies, and the VAT if it has been agreed. The 197 Accession Treaty allotted new members percentage keys, of which however, they pay only an annually increasing proportion until 1977; fo each of the next two years they pay only two-fifths of any further increas due under the full system, which takes effect in 1980.

Britain's gross contribution rises to just over 19 per cent in 1977, an is expected to exceed 24 per cent in 1980. Her net payment will therefor be determined until 1977 by the size and shape of the budget, and there-after also by her pattern of trade and the level of customs and levies. Long-range forecasting of all these interacting variables must be extremely uncertain. Not surprisingly, with each attempt the necessary assumptions differ under the influence of recent experience and changes in currently fashionable expectations, and a different result is produced.

The table below sets out predictions of net British budget contributions, for 1973 to 1980, made as follows: in July 1971, in the Conservative Government's White Paper (Cmnd 4715) announcing the terms negotiated; in December 1973, in the same Government's forecast of 'Public Expenditure to 1977–78' (Cmnd 5519); and in May 1974, by the Labour Government in a negotiating paper put to its Community partners.[2] The Labour paper assumes that in 1976 the pound will be devalued against the Community unit of account from 2·4 to 2 u.a. For comparability with the rest of the table the paper's figures from 1976 have been converted to the present 2·4 exchange rate, the original figures being shown in brackets.

[2] As reported in *The Economist*, 1 June 1974. A wider span of forecasts was giver by Mr Callaghan on 4 June.

Forecasts of net UK contributions to Community budget, 1973–80
(£ millions)

	1971	1973	1974
1973	100	85	
1974	115	75	79
1975	140	135	140
1976	170	185	190 (228)
1977	200	240	244 (293)
1978		248	287 (345)
1979			312 (375)
1980			317 (380)

All three sets of forecasts were made at fixed prices, i.e. without allowance for future inflation. So in each successive set the real purchasing power of each pound's expenditure predicted is less. The table shows, therefore, a downward trend in forecasts of the real resource cost to Britain of the Community budget, which has persisted across the change of government in 1974. Present government predictions of net British expenditure do not start to exceed Conservative forecasts made in 1971 until 1976, even at face value. And for 1976 to 1978 they do not greatly exceed Conservative forecasts in 1973, if the same exchange rate is used. Actual experience of the first twelve months of membership has fallen well short of the 1971 forecasts. Moreover, the eventual net yield of the full own resources system, now expected in 1980, does not approach the Conservatives' horrendous prediction of July 1970, at the start of entry negotiations, that this could cost nearly £470 m. in 1978. And this reduction owes nothing to the accession terms, which provide only for transitional arrangements.

However, it would be a mistake to assume that the experience of overestimation of budget cost in the early period of membership will necessarily always be repeated. The rise in world food prices that checked the growth of the total budget in 1973 was as unforeseen by supporters as by opponents of entry and confirmed that the relevant factors are unpredictable rather than that optimism is always justified. The Government's negotiating paper in fact makes some quite optimistic assumptions about British gains from the as yet unrealized Regional Fund, and about further multilateral tariff reductions.

Prospects for Britain

A more ominous aspect of the current British official stand on the budget is the 'claim' that by 1980 Britain's gross domestic product will have fallen, proportionately, to 14 per cent of the Community total. Relative GDP has always been accepted as a relevant criterion for fixing national budget 'keys', both in working out the own resources system among the original Six, and in negotiations with new entrants. It is thus in accordance with Community precedent to seek to reduce the gross

contribution in line with GDP rather than attack explicitly the probler of *net* British contribution arising from the Community pattern c revenue and expenditure.

In 1970 the Commission charged the Conservative Government wit undue pessimism in forecasting that Britain's GDP share would drop t 17 per cent by 1978, and argued that the British were overlooking th main objective of membership, a higher growth rate. No doubt a simila line will be taken in the renegotiations, and the 14 per cent figure has bee challenged on technical grounds. However, it is this thesis of increasin British relative poverty that is given quantitative expression in th assumption of sterling devaluation against the unit of account.

In a covert manner, the method of correcting the net budgetary los by changing the balance of expenditure has been that followed by th Conservatives in their campaign for a large regional fund, and this wi quite likely be taken into account by the Labour Government in assessin the acceptability of a budgetary settlement. Most Community expendi ture, however, arises necessarily out of the CAP's requirements for sup port buying and export subsidies. It cannot be reallocated on grounds c national need. So overt compensation for excessive contributions in effec means returning from the 'automatic' system to some form of nation: percentage keys, however adjustable.

Despite the lofty comment by the French Foreign Minister, M Sauvagnargues, on Mr Callaghan's statement of 4 June that 'it has neve entered the minds of those who signed the Treaty' to subordinate the ow resources system 'to considerations connected with the respective con tributory capacities of the member states', the original Six have alway been keenly aware of net budgetary flows. So it does not seem too difficu for Britain to negotiate some form of corrective system for future year: perhaps less so than over agricultural prices.

Criteria for continued membership

Also formally under renegotiation are two further groups of subject defined by the Foreign Secretary: trade with Commonwealth an developing countries, and freedom for Britain to develop her own appro priate industrial and regional policies. These, however, can hardly b seen as decisive questions in the renegotiations—the first are largely pa of negotiations, important in themselves, arising in any case out of th original terms, and the second involve only a sufficiently liberal interpre tation of Community rules, never a problem in face of a member stat determined on a particular action.

It follows therefore that for the Government the criteria of the toler ability of continued membership have come to be some degree of CA reform—a difficult but flexible objective—and some restraints on th budgetary load. But serious though these matters are, they hardly belon

to the same scale as the fundamental, long-term economic, industrial, and political effects claimed, for good or bad, to be involved in membership. There is some contrast between the aims of renegotiation, presented as decisive for acceptability of membership, and the transcendent importance attributed to the issue and invoked as justifying the constitutional innovation of a referendum. However the question is put in the referendum—however much it may be restricted, as anti-marketeers fear, simply to acknowledging the improvement in the entry terms obtained by renegotiation—in practice it promises to become the final battleground on the issue of membership on any terms. It represents a last and unusual opportunity to appeal to the rank and file against the party leaderships, and to the outer wings of the political spectrum against the centre and its 'consensus'. And although the current popular movement against the major party leaderships seems to be largely a centrist one, there are also indications that over the Common Market the 'extremes' could register a majority.

In this situation, the acceptance in 1967 by the Labour Government and most of the Parliamentary party of the postulate that the desirability of Community membership depended on the 'terms' of accession continues to have far-reaching consequences. In opposition, the Labour leadership was able both to contain and express mounting hostility to accession within a posture of opposing, not membership, but the Conservative 'terms'. By the time of the election, Labour supporters of entry were reconciled on this basis. Now the leadership face the reverse problem of producing Labour 'terms' that will reconcile opponents of entry to continued membership.

Anglo-Saxon attitudes

If this view of the issues at stake were generally accepted in all parties and in the country as a whole, then a referendum could be a tame affair, with a low poll and overwhelming 'yes' vote. But what anti-marketeers hope for, and 'pros' fear, is a popular revolt against all three party leaderships. Such a revolt could have several strands, and illustrate the highly symbolic character of the whole debate over the Common Market, which draws much of its enduring emotional force not from the particular issues involved but from association with more generalized, deep-rooted political attitudes.

There is a psychological linkage between a centrist attitude to national political problems, seeking to identify a common national interest, and the concept of a Community interest. This provokes corresponding reactions against the 'coalition politics' of the Community. Within the Left, 'pros' and 'antis' on the Common Market very closely correspond, respectively, to those who see the Left's problem as winning the centre, and those who argue that the Left's morale and drawing power, in all

classes, depend on presenting a clearly drawn alternative to its opponent The Right as a whole is more friendly to the Community, but opponent are mostly to be found on the further Right, and among the 'monetaris type of 'radical' right-winger.

In other words, despite the highly technical issues involved in member ship, stands are determined by political temperament. Economic argu ment on the experience of membership has been as indecisive as befor entry, revolving round the uninspiring observation that last year Britain' trade deficit with the Community grew less rapidly than elsewhere. Th fairest conclusion seems to be that the effects of tariff cuts have been sligh so far, and quite overshadowed by the downward float of sterling domestic budgetary policy, and the rise in oil and commodity prices However, opponents of membership have always argued in favour of the greatest possible measure of free trade in Western Europe—the ill-effect of the Community they have anticipated from, and now attribute to alignment with the common external tariff against Commonwealth countries, increased domestic costs caused by the CAP, and of course the budget deficit. Improvements renegotiated in these three areas will prob ably confirm experience to date that the effects of tariff cuts, though detectable, are not large.[3]

What results, then, can reasonably be forecast for renegotiation Domestically, if the Labour Government survives a general election in which the question of whether to have a referendum will itself be an issue it seems on balance unlikely that the renegotiated 'package' will in fact be rejected by the electors. The effects of the whole episode on relations with the Community are hard to predict. There have been fears that Labour's démarches are weakening the Community. However, a more optimistic interpretation is possible. Experienced leaders of great nations are surely not really so easily pained by the 'tone' of remarks in international nego tiations. The central Community triangle Heath-Pompidou-Brandt has been replaced by that of Wilson-Giscard-Schmidt. This has been accom panied by transition from the solemn, even 'sacred', concepts of the Paris summit in October 1972 to the perhaps jarringly 'secular' language o Mr Callaghan. However, hardly anything Mr Callaghan has said abou the vagueness of 'European Union', or even his suggestion that the Community is primarily a customs union, would be denied, as fact, by the most ardent 'European'. But whereas it is commonplace to regret that the Emperor as yet has so few clothes, what distresses some people is tha Mr Callaghan evidently rather likes this near-nudity. The conventional 'European' tone has been abandoned, for the time being at least. Perhaps a respite from big words will assist in modest but constructive deeds.

[3] See the analysis in the *National Institute Economic Review*, May 1974.

›alestine: peace talks and militancy

IERRE RONDOT

Since this article was written, the split in the Palestinian guerrilla movement has widened again. In Moscow at the end of July, Yasir Arafat secured renewed Soviet approval of the PLO's participation in the Geneva conference; but the extreme militants have accused him of selling out.

ꞁHROUGH violence alone the revolutionaries have won worldwide ·cognition as the representatives of the Palestinians. Only a determina- on to continue the struggle by violent means will enable us to maintain ıd consolidate our position.' This statement, issued by the Palestinian ꜫws agency WAFA[1] the day after the atrocities of Kiryat Shmona on ɩ April, might serve to introduce a number of reflections on the present ate of the Palestinian revolutionary movement.

On first sight, the terms used appear rather stark. But a closer ıalysis shows that, in spite of their brevity, they contain certain ɹances and complexities of argument. Clearly neither a legal formula ɔr a political programme, this was simply a press statement—but one ꞩued by a semi-official information agency of the Palestine Liberation rganization (PLO). It thus sheds a certain amount of light on the atti- ude of the Palestinian revolutionary movement to the ceasefire and the ·eace negotiations. What is most striking is its explicit recognition of the ffectiveness of past acts of violence, even though they were disowned by he 'official' Resistance at the time. It is generally admitted that, although hese acts shocked world opinion, they succeeded in bringing the concept f a 'Palestinian cause' to the notice of the world; the statement goes even ırther in claiming that it is they which conferred representative status on ıe Palestinian revolutionaries. One may well ask, however, if 'represen- ıtion' has any relevance outside the context of diplomacy. Is it not, ssentially, a qualification to negotiate?

The WAFA statement, moreover, related to both present and future. ust at the moment when diplomacy had entered on the scene, it endorsed ıe activities of the Palestinian militants as the only ones capable of safe- uarding their representative status and, perhaps, of enabling them to

[1] Quoted by *El Moudjahid* (Algiers), 13 April 1974.

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wield greater power from that position. Could it not, without undue exag-geration, be interpreted as 'wage war in order to negotiate more effec-tively'? Nevertheless, the underlying suggestion of eventual negotiation was less striking than the actual refusal to disown the terrorists; on this occasion, incidentally, they operated inside Israeli territory, that is, inside 'disinherited Palestine', whereas Fatah's earlier condemnations had referred to acts of violence on the communication lines. The over-riding impression emerging from a consideration of this text is that the PLO had aimed to accommodate all points of view. This ambiguous atti-tude has certain advantages but, equally, a number of disadvantages. Surely, will it not at some stage become necessary to take a stand?

Mr Yasir Arafat, for his part, seemed to have chosen some time ago between the alternatives of an uncompromising war and diplomacy. Otherwise, why did he fight for the PLO's exclusive right of representa-tion at the peace conference? Nevertheless, the question of principle was still not settled. The final decision rested not with the Chairman of the PLO but with the Palestine National Council (PNC). Consequently, Mr Arafat tended to evade the issue in his answers to the urgent questioning of the press. Last January, when interviewed by a Lebanese journalist, he replied: 'The problem is a question of liberation, not a question of accep-tance or rejection of the Geneva conference.'[2] But Geneva became a matter of urgency. Once the process of peace preliminaries through military disengagement had been set in motion, it could affect in turn the Jordanian borders; from then on the Palestinian Resistance saw it as its duty to prevent 'liberated Palestinian territory' from falling into Hashe-mite hands. This, in basic terms, was the explanation for Yasir Arafat's efforts in the diplomatic field. But were they justified in the eyes of the leaders of the extremist guerrilla groups, or of the rulers of the 'hard-line' Arab states? Would not a compromise, however limited, signify the first step on the road to surrender? Such was the dilemma facing the Palestin-ian revolutionary movement in 1974.

Revolution versus surender

The rapidity with which the Egyptian–Israeli agreement on disengage-ment was concluded on 18 January took the Palestinian leaders by sur-prise and, as the apparent forerunner of 'a progressive isolation of th various Arab fronts',[3] it disturbed them. Mr Arafat sought reassurance i Cairo. He placed before the PLO's Central Committee[4] the problems c the Palestinian territories to be evacuated by Israel and of the Palestinia 'national authority' to be established there. He found himself oppose within the Committee by the Popular Front for the Liberation (

[2] *Ad Diyar* (Beirut), 11 January 1974.

[3] According to the PLO's Executive Committee, *El Moudjahid*, 21 January.

[4] The Central Committee consists of thirty Palestinian members of whom te are members of the Executive Committee.

Palestine (PFLP) whose terrorist acts of January/February in Singapore and Kuwait he had disclaimed. To the Lebanese Government he confirmed his intention of ceasing all guerrilla activities in and from South Lebanon. Meanwhile, the PFLP–GC[5] launched fresh attacks on northern Israel. A section of the Palestinian guerrilla movement was clearly determined to frustrate the peace programme which Yasir Arafat was prepared to accept, and to this end sought support in those Arab capitals where the concept of a 'political settlement' of the Arab–Israeli conflict met with scepticism.

Having had apparently little success in Algiers, the PFLP's Secretary-General, Dr George Habash, visited Baghdad on 18 February in order to decide 'how to put a stop to plots hatched against the Palestinian people for their extinction or capitulation'. He commented: 'Iraq's firm stand against such conspiracies is a great bulwark in the struggle and strengthens the Palestinian refusal to co-operate'.[6] Following an interview with the Iraqi Head of State, General Ahmed Hassan Al Bakr, Dr Habash announced on 27 February, at a meeting held at the University of al Moustanciriya in Baghdad, the creation of an Arab 'rejection front', to be led by 'the Iraqi revolutionary régime against the reactionary capitulationists', and uniting the PFLP, the PFLP–GC, the Arab Liberation Front (ALF),[7] the Palestinian Popular Struggle Front (PPSF), and numerous revolutionary cadres within other resistance organisations'. To a violent denunciation of the initiatives of American diplomacy he added that 'rejection of the Security Council Resolution 242 of 22 November 1967 and a refusal to take part in the Geneva conference are the only possible sound attitudes in the present situation'.[8]

At the instigation of Dr Habash, the Political Committee of the Palestinian Revolution, the assembly in Baghdad of representatives of the various Palestinian organizations in Iraq, decided to exclude the PDFLP[9] from its ranks because of its 'leanings towards surrender'. A few weeks later, Nayef Hawatmeh, Secretary-General of the PDFLP, excited much interest and diverse reactions in an interview with the Israeli daily newspaper *Yediot Aharonot* of 22 March by expressing views favouring the future creation of a Palestinian democratic state in which Palestinians and Israelis would have equal rights. A member of the PFLP central committee saw 'in such a programme . . . the beginning of indirect negotiations which would soon become simply negotiations'.[10]

The PFLP and the Iraqi Baath party, however, were agreed on the

[5] Popular Front for the Liberation of Palestine—General Command; formed after a split in the PFLP and led by Mr Ahmed Jibril.
[6] *As Safa* (Beirut), 20 February 1974.
[7] Founded in Iraq under the auspices of the Iraqi Baath party.
[8] *As Safa*, 28 February 1974.
[9] Popular Democratic Front for the Liberation of Palestine.
[10] For further information, see this author's 'La Révolution palestinienne au seuil de 1974', *Défense Nationale*, May 1974 p. 82.

main aim of launching a revolutionary campaign throughout the Arab world. The communiqué, published in Baghdad on 27 February at the close of their talks, stated that

> the only option open to the masses is to pursue an escalation of the fight against the forces of imperialism, Zionism, and reaction in order to achieve economic and political liberation and social progress for the Arab people. The two parties have examined the conspiracies of the imperialist forces in the Gulf and the role of the Iranian reactionaries in their campaign against the progressive régime in Iraq . . . they condemn the Iranian military intervention in the sultanate of Oman . . . and draw attention to plots to sow discord in the ranks of the Palestinian Resistance.[11]

The attack of a commando of the PFLP–GC on 11 April at Kiryat Shmona, which was the overture to a series of similar actions on the northern borders of Israel, was described by a spokesman for the organization as having been aimed at thwarting 'the efforts of Zionism, imperialism, and reactionary Arab régimes to annihilate the Palestinian cause and to enforce defeatist solutions'. In letters addressed to the Arab leaders, including Yasir Arafat, the perpetrators declared: 'We wanted to write in our blood the refusal of the Arab nation and of the Palestinian resistance to capitulate'. Interviewed for a daily newspaper in Beirut, militants and leaders of the organization stated among other things:

> We want to intensify the intransigence of characters such as Dayan . . . in order to eradicate all possibility of a peaceful settlement between Arabs and Israelis . . . we will go to Geneva when we have destroyed the state of Israel . . . we reject this pseudo-state [Palestinian autonomous state on the West Bank] as strongly as we reject the state of Israel. We are opposed to any agreement between the Palestinian Resistance and the bourgeois Arab régimes.[12]

The 'rejection front' which had made its position clear in action was thus equally unambiguous in the expression of its political standpoint.

Quest for unanimity

Despite such strongly-voiced objections, Yasir Arafat had good reaso to believe that the Palestinian guerrilla movement should take part in th Geneva conference. In doing so, it would admittedly be acknowledgin the, in any event undeniable, existence of the state of Israel. But, b putting itself in a position to prevent parts of Palestine from reverting t the Hashemite monarchy, as in 1948, it would pave the way for the futu when the territory would come under Palestinian jurisdiction after i liberation. The final objective, that is, the Palestinian democratic stat

[11] *As Safa*, 28 February 1974.
[12] *ibid.*, 13 and 22 April; also *El Moudjahid*, 13 April 1974.

ould not be compromised or lost sight of. The Geneva talks were not an d, but merely a means of which advantage must be taken.

For Mr Arafat the problem was how to involve the PLO in diplomatic gotiations while preventing the 'rejection front' from stirring up uble within the movement which would weaken and discredit it. By the ginning of May, the attitude of the Palestinian extremists, which had ced him to adjourn the convening of the Palestine National Council eral times in the preceding months, could not have left him much pe. However, neither the constancy nor the resolve of the quite unuctured 'rejection front' had to be unshakeable: bribery, verbal or ual, could win over small groups eager to gain prestige and thereby ain their adherents and status in the movement; the organization was t necessarily to be regarded as permanent and could, if need be, give y to opportunistic arguments.

Whilst condemning violent excesses, the dialectic of the 'moderate' lestinians explains that they are made inevitable by the incessant reirmation of the adversary's intransigence and his continued acts of gression. In response to such high-handed behaviour, the activities the Palestinian extremists demonstrate their relentless will to fight, iich the negotiator can usefully invoke to strengthen his argument. If ey could be convinced that they were no longer the outcasts in a movent about to try its hand at diplomacy, the hard-liners could remain part it without reneguing their views, furthering in this way both the ommon cause and their own ends.

Despite previous disappointments, Yasir Arafat still hoped to be able o manipulate the movement over which he presides. He was apparently nuch encouraged by the Soviet Foreign Minister, Mr Gromyko, with vhom he had a two-hour interview in Damascus on 6 May, describing it s 'fruitful, cordial, and satisfactory'.[13] According to Mr Arafat's dislosures to the Palestinian leaders, Mr Gromyko had 'urged the PLO to inify and clarify its position as quickly as possible so as to enable the JSSR to take effective action in the current negotiations in support of the ights of the Palestinians', while the United States intended to press for he re-establishment of Hashemite rule over the liberated Palestinian erritories; Mr Gromyko had 'equally declared that Soviet aid to the Resistance was dependent on the strategy that it adopted and on the legree of unity achieved among the different groups of fedayeen'.[14]

It was probably at the instigation of the Russians, anxious as ever to ncourage any 'national front'-type groupings, that Mr Arafat convened n Beirut on 8 May not the Executive Committee of the PLO but a less ormal meeting, dubbed a 'summit' by the press. From the start, the articipants included two personalities from the West Bank, joined a few

[13] *Al Moharrir* (Beirut), 8 May 1974.
[14] *L'Orient—le Jour* (Beirut), 10 May 1974.

days later by spokesmen from the PFLP–GC and the Arab Liberati
Front (ALF). Commenting on the summit, the Lebanese press at fi
reported an 'auspicious atmosphere' and some flexibility amongst th
hard-liners, with Dr George Habash no longer opposed to the experime
of a Palestinian autonomous state on the liberated West Bank. Late
reports referred to the rejection of this solution by the representatives of
small extremist groups, and to fresh statements from Dr Habash: 'The
gun lives on as the emblem of the Palestinian revolution whose chief
enemies are the reactionary Arab régimes as much as the state of Israel'.
Finally, both the PFLP–GC and the PDFLP claimed responsibility for
the operation mounted on 15 May in Maalot by a group of fedayeen. Mr
Nayef Hawatmeh told an Italian journalist that it confirmed 'the deter-
mination of the Palestinians to reject Kissinger's attempts to reduce this
people to submission . . . we still seek talks and were disappointed by the
reaction to our interview with *Yediot Aharonot*. . . When peaceful over-
tures fail, there is no option but to escalate armed action. . . We will have
to keep up a long struggle on the political and ideological as well as on the
military front'.[15] For his part, Mr Arafat, who hastened to confer with
President Sadat, made the following statement regarding participation
in the Geneva conference: 'Our position is clear, we shall not waver
Political action is one thing, and our people's fight is another: nothing
can take its place.'[16]

One positive outcome of the Palestinian summit in Beirut was the establishment of a 'Commission of Seven' on which Fatah, the PFLP, the PDFLP, Saiqa (Vanguard of Popular Liberation), the PFLP–GC, the ALF, and the Palestine National Front on the West Bank were repre-sented. Given the task of tabling the points of agreement reached at the Beirut summit meetings of 8 and 11 May, the Commission drew up a ten-point memorandum on 19 May; this was adopted by the PLO's Executive Committee for submission to the Palestine National Council, du to be convened on 1 June. The inclusion among the rapporteurs of extre-mists who had, in theory at any rate, modified their positions was a ne development and a signal success for Yasir Arafat's internal diplomac aided by the advice of the Soviet Union and the prospect of Soviet aid

Laborious compromise

At the Council's opening session in Cairo, President Sadat was at pai to stress that Egypt would make no concessions on the question of t lawful rights of the Palestinian people, adding that it was the duty of th representatives, i.e. of the PLO, to spell out these rights. In thus r assuring the Palestinian Resistance, Egypt's head of state regained so of the credit which his agreement with Israel had sorely taxed. (The n agreement on disengagement, underwritten also by Syria, and the det

[15] *La Stampa*, 17 May 1974. [16] *L'Orient—le Jour*, 17 May 1974.

ation of the Lebanese Government to restrict the fedayeen's freedom movement, have made the conditions for armed struggle even more ficult and impractical.)

Despite careful preparation, at the start of business on 1 June the mosphere in the Palestine National Council was rather strained. The port of the Commission of Seven, which provided the basis for its work, as a carefully worded document, avoiding any allusion to the authors' vergent views, and stressing only the points of agreement—often consting of narrow and sometimes negative statements.[17] The 'rejection ont' had clearly left its mark on the document. It rejected the United ations Security Council's Resolution 242, which treats the Palestinian se as a refugee problem, stating that 'the PLO refuses to discuss this atter in any negotiations, whether in an Arab or an international context, cluding the Geneva conference.'[18] It also rejected any proposal, or any alestinian entity, entailing recognition of the enemy, a peace settlement ith him, or renunciation of the right of the Palestinian people to return their homeland and to determine their own future. There was an implied rejection of any ceasefire; recourse to force of arms not only received eneral acclaim but was also advocated as the means by which Palestinian overeignty could be established in the liberated territories.

Within these narrow limits, what can be said to have been accepted was he possibility, in principle, of participation in negotiations other than hose based on Resolution 242, and a transfer of control of the liberated erritories to the Palestinians, thus excluding Hashemite sovereignty. The strategic objective' was reaffirmed: the establishment of a Palestinan democratic state, any measure of liberation being considered only a tep in this direction.

The debate, which took place behind closed doors and continued until June, opposed as far as one can tell the 'rejection front', which wanted a ategorical rejection of the Geneva conference, and the group of four nportant organizations which sought either the amendment of Resolution 242, perhaps on the Soviet Union's initiative, or an American–Soviet econsideration of the platform for the conference. The solution adopted y the Council was to play for time; it was to be informed 'if there were ny new developments', in other words, if the Palestinians were to be fficially invited to Geneva. The ball was thus thrown back into the oviet Union's court; the Russians strongly advised the Palestinians to articipate, though they knew that such participation would depend on e terms in which the invitation would be couched both by the Kremlin nd the State Department.

The Palestine National Council expressly encouraged the PLO to

[17] For a comprehensive summary see *Le Monde*, 4 June 1974.

[18] This seems to be the gist of the statement, which could have been garbled by e transmission.

strive for an examination of the Palestinian question in an internatior framework, on the basis of every people's right to self-determination a of the United Nations resolutions. It envisaged the PLO as the sc representative of the Palestinians and instructed the Resistance comma to carry out 'a political and diplomatic campaign . . . in order to reach t tactical objectives set out in paragraphs 2, 3, and 4 of the ten-point pr gramme',[19] that is to say, not excluding armed struggle. Mr Arafat to the correspondent of *Le Monde* in Cairo that this was 'a very gre victory', adding: 'The unanimous acceptance of the political programr is a clear expression of the unity among the Palestinian ranks. This uni is the result of democratic discussions'.[20] To have succeeded in keepi the movement together, even by using compromises to disguise fund mental disagreements, was indeed no mean achievement.

Balance of power in Palestinian movement

During the National Council session, some organizational chang took place, which tended to strengthen the role played by the Palesti National Front on the West Bank and reflected the competition betwe the partisans of the 'rejection front' and their more moderate opponen The PNC whose mandate expired in July was adjourned; but a speci Committee was given the task of supervising the formation of a ne Council, 'taking into consideration the current confrontation betwe the various organizations of the Palestinian Resistance and the oth Palestinian groups'.[21]

The Executive Committee of the PLO to which Yasir Arafat return as Chairman is to consist of fourteen instead of ten members (two seats had remained vacant since their occupants were killed in an attack on Beirut in May 1973). Apart from the representatives of Fatah (two), of the PFLP, the PDFLP, Saiqa, and the ALF, the Committee includes Talal Nagi, alias Abu Djihad, a member of the political bureau of the PFLP-GC. The four independent members who do not belong to any of these Resistance organizations include the Reverend Elya Khoury, expelled from Ramallah in 1969. A representative of the Palestinian Liberation Army and two members of the Palestine National Front (PNF) who were recently expelled from the West Bank, Abdel Muhsin Abu Mizar (who participated in the work of the Commission of Seven) and Abdel Jamad Saleh, make up the number.

The PNF, founded clandestinely on the West Bank in August 1973, draws together, with Resistance units, the Communist Party of the West Bank, trade union members, students, and other individuals. It considers itself an integral part of the PLO, and aims at the establishment o a 'national authority' on the West Bank. Whilst the National Council sa

[19] *El Moudjahid*, 11 June 1974. [20] *Le Monde*, 11 June 1974.
[21] *El Moudjahid*, 11 June 1974, quoting the Palestinian Agency WAFA.

he PNF sent a message criticizing the 'hesitations caused by negative ttitudes to the peace conference', claiming that they engendered con-usion 'exploited by agents of the Jordanian régime'. The Communist Party of the West Bank similarly communicated its view that 'the flat efusal to take part in the Geneva conference did not seem a sound atti-ude'.[22] The PNF representation on the new Executive Committee and he presence of independents from the West Bank who tend to support Fatah are an important counterweight to the strengthening of the 'rejec-ion front' by the nomination of a member of the PFLP–GC.

Has the Palestinian Revolution found, in the words of a Lebanese eporter, 'a new lease of life'?[23] At any rate, there is no doubt that it has still a long way to go. The guerrillas felt keenly the effects of President Nixon's condemnation at the time of his visit to Israel which, in their eyes, constituted 'an open invitation to the Arab governments to wipe it the Revolution] out'. They therefore proposed to 'escalate the use of orce in all its forms, whatever the circumstances'.[24] No doubt they will be driven, even more directly than last spring, to seek support rom the Soviet Union. A few hours earlier, on 17 June, Mr Arafat had expounded on the 'Voice of Palestine' the need for co-ordination between Palestinians, Egyptians, and Syrians; clearly the resolutions of the Palestine National Council were formulated with the projected Septem-ber Arab summit in mind. The Chairman of the PLO underlined the fact hat 'in spite of the vigour and clarity of these decisions, they are not nflexible'.[25]

A 'chronicle of the Palestinian Revolution' over a few months thus ndicates the kind of internal fluctuation to which the movement is sub-ect. In order to guarantee the coexistence and, indeed, the co-operation of organizations ranging from those which show a disposition to negotiate o those which boast allegiance to the 'rejection front', the co-ordinator nust be endowed with exceptional political qualities. During last spring, while constantly bearing in mind the changing political situation and adapting to its needs, Yasir Arafat succeeded in securing the acceptance of a statement of compromise and an improvement in the organization. For all that, his mode of action cannot change too radically: the Palestin-an Revolution is bound to continue to assert itself.

[22] *L'Orient—le Jour*, 9 June 1974.
[23] See Issa Goraïeb, *l'Orient—le Jour*, 9 June 1974.
[24] Declarations made by spokesmen for the Palestinian Revolution, *El Moud-ahid*, 19 June 1974.
[25] *ibid.*

New dimensions for international lending

MARCELLO DE CECCO

This article was first written as an introductory discussion paper for the July meeting of a Chatham House Study Group on International Lending.

THE last decade has seen a very rapid and profound transformation of the international financial system, which followed from the more general development of the international economy. With ever larger amounts of foreign exchange accruing to private corporations as a result of fast increasing international trade and of international production and investment, the foreign exchange market acquired gigantic proportions and, similarly, large stocks of foreign exchange could be accumulated by private individuals and corporations. As a result, problems arose of how and where such stocks should be kept. National monetary authorities could, in principle, have asked their respective private corporations to exchange all their export proceeds for their respective national currencies, and thus have kept them in their official currency reserves; this was not done, however. For a very interesting series of reasons, central banks allowed their nationals to keep their export proceeds in foreign exchange. In particular, these funds were not redeposited in the United States because the US authorities deemed it expedient to erect a structure of institutional barriers that discouraged depositors from holding funds in America. Consequently the funds were re-deposited with banks outside the US and what is now called the Eurodollar market developed as a result.

The growth of this market cannot be explained if one does not look at the benefits accruing from its existence to all interested parties:

(i) The US was able to persuade foreigners to hold dollars, albeit outside the US, because Euro-banks could pay interest rates highe than those given by banks in the US.

(ii) Euro-banks could offer higher passive rates because they were no tied to compulsory reserve ratios on such deposits and because the paid no corporation tax on offshore deposit business.

(iii) Non-American monetary authorities could dump unwanted dollars via their commercial banks, thus preventing them from swellin their reserves and forcing revaluation and inflation on their nation currencies.

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(iv) Large corporations could use the Eurodollar market to place their short-term cash most suitably and, later on, to be able to switch from one currency to another, and to hedge themselves against possible exchange fluctuations (especially in view of the poor and limited forward cover facilities available).

(v) British banks could continue their traditional international business, in Eurodollars, when sterling began to be phased out as an international currency.

(vi) The monetary authorities of deficit countries could refurbish their reserves in the Eurodollar market, without having to use the official international lending agencies.

(vii) Large commercial banks were allowed, by specializing in Eurocurrency business, to offset the losses of deposits to other types of banks and financial intermediaries which were, in this period, acquiring greater and greater shares of the market in all Western banking systems.

Had the Eurodollar market not offered so many advantages to so many fferent types of institutions, it would not have been allowed to grow to ch very high turnover figures. European central banks must have rtainly considered it a useful set-up; otherwise, they could have let it irve in 1969–70, when the US banks pumped funds from it back to the S financial market. On the contrary, they fed it very generously on that casion; nor did they try to get their funds back subsequently, when the S economy stopped absorbing them. Again, Japanese monetary thorities, in spite of the central banks' 1971 agreement not to feed the ırodollar market, found it convenient to dump a good part of their huge llar holdings there. As a result of these two episodes, the market has, in : last three years, acquired its present mammoth dimensions. And it s become possible, because of its very size, and of the easy money conions that prevailed in it until late 1973, to open it to countries and blic bodies, as direct borrowers.

To analyse the implications of this last development, we have to preciate the reasons that have made it possible. First of all, from the pply side, the movement discernible throughout the sixties has beme more marked, namely, the switching, because of the expectation of :reasing inflation becoming generalized, and because of exchange rate certainties, of funds from the long end of financial markets to the short, d the pre-empting of the former, especially in some countries, by blic borrowers. The lenders' increasingly reduced time horizon has luced a famine of funds in most bond markets and a glut of funds in ıst short-term markets. Euro-banks have come up against a problem ntinental banks have known for more than 150 years, that of having to :oncile a demand for, and a supply of, funds with radically divergent ıe preferences. The 'transformation problem' has once again reared its

ugly but exciting head and, once again, bankers have solved it by havi recourse to variable interest rate short-term loans, rolled over to beco medium-term, and sometimes even long-term, credit.

From the demand side, it is appropriate to ask why countries a public bodies have come to want to absorb such large quantitie external debt. Here it is in order to distinguish between developed a developing countries. As regards developing countries, one may say th their demand for external finance is perfectly elastic. The value of th loans actually written thus depends solely on the supply conditions. In situation of world inflation, moreover, and of increasing scarcity of ra materials, developing countries become like all borrowers less worri about debt-servicing problems and the level of interest rates.

To that a more institutional set of observations must be added, and concerns the declining role of official sources of grants and loans developing countries. Official government aid, as is well known, has no grown much in the last few years. At the same time, the World Bank ha found itself in increasing difficulties in borrowing from the market order to lend to developing countries. The World Bank has no facility fo rolling over short-term deposits; it is not properly called a 'bank' be cause it cannot 'transform' funds. It has been, as a result, at a grave dis advantage in a market dominated by inflationary expectations. Moreove developing countries have become increasingly critical of the methods th World Bank uses to appraise projects it is asked to finance; indeed, th whole 'project approach' has come under mounting criticism.

But Euro-loans have been written to developing countries very ofte for general balance-of-payments financing. This is exactly where t World Bank cannot help and where the IMF, which is specifical designed to help, has not been fully able to do its job. Whether or not deserves it, the IMF has earned the dubious fame in developing countri of relying too often and too heavily on the 'Polak recipe', which consi of deflationary credit ceilings plus devaluation to solve everyon balance-of-payments problems. Moreover, it has for two deca preached the existence of the vital link between budgetary deficits a balance-of-payments deficits that Lord Kaldor seems to have discove recently. And the structure of the quota system, which is heavily biase favour of developed countries, has also meant that developing countr could not get much out of the IMF anyway. All these reasons may h induced the developing countries to tap the Eurodollar market medium-term loans, as soon as they have been given a chance of doing

Turning to developed countries, we cannot really proceed unless bring the oil crisis into the picture. For developed countries, increasin engulfed in the balance-of-payments deficits caused by soaring payments, the Eurodollar market has been an absolute boon. In fac must be seen as one of the saviours, and perhaps the most importan

free trade international economy as it has developed in the last fifteen ars. A free trade international economy, as highly geared as the one we ve today, must function in 'real time'. Any stoppage, even a short one, ywhere, in its functioning, quickly determines a spiral of consequences, ich can jeopardize the whole philosophy of free trade. When large and veloped countries go into heavy payments imbalances, a re-equili- ating mechanism must be found with the least possible delay, if the ove-mentioned spiral of consequences is to be avoided. A mechanism of is kind has been developed by central banks, in the wide network of formal swap lines established among themselves. But this mechanism is extremely short-term one, and must be supplemented by long-term es. Those furnished by the present system are the IMF stand-by sistance and, on paper, the EEC's own small intervention fund. One ed only recall the institutional inability of the IMF to cope with the ge problems the international payments system has experienced in cent years. In its present form, the IMF simply lacks the sheer size to of assistance to a few major developed countries in difficulty. The urodollar market, through the medium of Euro-loans, has so far pro- ded the 'real-time' readjustment mechanism for a few developed untries. The massive appearance on the Euro-loans market of major eveloped countries as borrowers, however, has quickly called into uestion the very principles on which this market has so far thrived.

One of the basic foundations of the Euro-loans market, in fact, has een the so-called 'insurance principle', or rather a particular version of . This means not only that lending banks spread their eggs in many askets, but also that spreading a loan among many lenders decreases the sk to each lender. The Euro-loan market, that is, has so far been wholesale banking', an activity where careful credit appraisal is *not* one f the guiding lights, being replaced, as just noted, by a peculiar type of nsurance principle. This activity, if it is to continue, requires a market ormed by many medium-sized lenders and many small- to medium- ized borrowers. Occasionally, extra-large risks can be accommodated or, s one is tempted to say, 'underwritten'. But each loan, and the total of hem, must remain, in a sense, within the realm of wholesale banking, i.e. hey must be 'marginal' operations for the lending banks.

When several large developed countries come to the market, each with everal extra-large loans, the insurance principle is violated. Each syn- icated bank has now to 'take a position'; it must 'have a view' on each of he countries involved and its future economic performance. The opera- ion is not a 'marginal' one, it requires 'credit appraisal' which is the pposite of wholesale banking. It cannot be performed in 'real time', in nonymity, in the absence of individual responsibility. The countries nvolved have all got their own large commercial banks active in the Euro-loan market and for lead banks to be heavily committed with a

borrower has not been considered seemly in this market so far, becau[se] their judgement may become clouded. Moreover, banks cannot spre[ad] their eggs in many baskets, if large countries start floating large loan[s]. They have, inevitably, got to decide whether they do or do not want t[o] be 'long in Britain' or 'short in Italy', for instance. In 1890, Barin[gs] decided to 'go long in Argentina' and the well-known crisis followe[d]. Other examples of the same kind can be provided, the most famous bein[g] that of the Creditanstalt in 1931.

Besides, having to lend to developed countries means, and has alread[y] meant, cutting the weaker less-developed countries out of the circuit. Th[is] can itself lead to a spiral of consequences, if one reflects on the fact tha[t] a large part of what these countries now call reserves consists of Euro[-] loans. The emergence of several large countries as borrowers has thu[s] meant, for the Euro-loans market, a quite noticeable change in t[he] dimension of operations. Had those countries stuck to their previo[us] practice, of sending their local authorities, nationalized industries, an[d] other semi-public bodies, to the market, in scattered order, to reque[st] loans of up to 500 m. dollars each, the market would have probably accom[-] modated them without much ado, as the insurance principle would hav[e] been respected. This, in fact, seems to have been done by Japanese bank[s] in the early months of 1974, to a total of between 4,000 and 5,000 m[.] dollars, and the market seems to have absorbed it very quietly.

Large European countries, however, have recently chosen to go to th[e] market directly and for very large sums—with the consequences note[d] above. Moreover, if a big loan, floated by a large developed countr[y] appears on the market, and it has necessarily to be approached as [a] retail banking operation, i.e. one to which the insurance principle cann[ot] be applied, appraising the credit-worthiness of the country in questio[n] immediately becomes politics. We might, at this juncture, consider th[at] monetary authorities, central bankers, and political authorities have f[or] the last ten years, by fostering the growth of the Eurodollar system a[nd] using it as it best suited them, managed to defuse highly political pro[b-] lems, like the American deficit problem, the burden of adjustme[nt] problem, etc., and reduce them to the more manageable dimensi[on] of international private financial flows. By appearing on the market ['in] the first person' and for large sums, the developed countries in quest[ion] have obviously decided that such de-escalating tactics could be used [no] longer.

We are thus witnessing a definite effort, on the part of some de[veloped] countries, to escalate their borrowing problems from the transnatio[nal] to the international arena. The first act of this new play, however, involved a somewhat lopsided encounter, that of large countries v[ersus] international private bankers. As a result of this we have witness[ed a] determined attempt on the part of the latter to look more clearly at

lications of the structural change that has occurred. What emerges
ı this analysis is a not very consistent set of observations on the prob-
which none the less seem worth enunciating:

The 'credit-worthiness' of a large developed country is a rather im-
precise term: how can it be assessed? On export potential? On the
outlook for 'balanced budgets'? On the adoption of a stabilization
package of the type used for Italy in 1926 or on the 'stabilization
ormula' developed by the IMF, referred to above?

Even if a country pledges itself to adopt a stabilization package, how
an lenders be sure that it will succeed if, as is most often the case,
ts stabilization programme might very well be offset by other
ountries trying to annul its effect, by competitive deflation, de-
preciation, and other 'beggar-my-neighbour' policies? It is indeed
impossible to predict the effect of a stabilization programme, under-
taken by a large developed country *in vacuo*, i.e. without using an even
drastically simplified simultaneously determined model that shows
the effect on other countries' crucial macro-economic variables of the
first country's actions. Even in that case, however, it would be
necessary, once such *effects* were predicted, to guess what the other
countries' *reactions* would be.

Clearly, the issue must perforce be sent back to the level where it
'ongs naturally, that of *international* negotiations. Syndicated banks
ınot solve these problems by themselves. They could, on the other
ıd, join in when countries, in a proper negotiating arena, have agreed
a stabilization programme for a borrowing country and on the con-
nitant economic policies surplus countries would undertake to follow
ensure the success of the stabilization programme.

Meanwhile, if the Eurodollar market is to continue to function
oothly, it is necessary for large countries to refrain from being direct
rrowers and for too large sums. If they continue to do so, they put a
ge spanner in the Eurodollar works, and the consequences could be
y unpleasant. Perhaps large deficit countries are aware of this danger and
trying to speed up the formation of a climate of urgency conducive
properly organized international negotiations. Moreover, the US
deral Reserve should agree to shoulder the responsibility of lender of
t resort of the Eurodollar system, now that the New York money
rket seems to manage to attract most of the oil money. Lastly, one
ınot help feeling that the refusal, by leading Euro-banks, to accom-
date large developed countries is an attempt on their part to induce
ir respective monetary authorities to desist from the drastically
trictive credit policies they have all been practising for the last six
nths. It is a tug-of-war fascinating to a political economist, but chill-
to a citizen of the Western world.

Multinational companies and the Third World

LOUIS TURNER

The multinationals are moving into a more flexible relationship with the Third World, in which self-interest and the needs of the developing countries are better balanced.

It is ironic that interest in multinational companies is growing at th very time that they are withdrawing from their traditional, more or le overt political role in world affairs. Firms which could once claim indi- vidual countries as virtual personal fiefdoms are now calculating if the can even survive in them. The oil 'majors', so long symbols of corpora power, have been forced to give ground extensively when faced with the new-found militancy of producer governments. Even the notorio attempt of the International Telephone and Telegraph Corporatio (ITT) to interfere in Chile's domestic policies should be seen as the en of an era, rather than the beginning of one.

Contrary to some beliefs, Africa, Asia, and Latin America have neve been of central importance to all those companies loosely known as mult nationals, and what importance these continents have had has bee declining rapidly. Thus, in 1961 27 per cent of overseas direct investme from America (by far the largest source) was in Third World countrie by 1971, this figure was down to 20 per cent, with the bulk in Mexic Brazil, India, and Argentina. Private investment earlier went chie into utilities and export-oriented extractive industries. Compani searched for oils and metals, built railroads, or became involved tropical agriculture like harvesting rubber, palm oil, or bananas. Som like the United Fruit Company, extended their activities until th owned a country's railways, ports, and key shipping lines. With this ki of economic domination, it was all too easy for them to create 'bana republics', moving into the political arena by buying and disposing presidents and national assemblies. Today, however, these older esta lished companies are of much diminished importance. Companies co trolling railways and other utilities have, on the whole, been forced o Many have diversified into politically safer areas, like W. R. Grace I which has completely pulled out of its traditional base in Latin Amer to concentrate on North America and Europe. To some extent ma

Mr Turner, at present a Research Specialist at Chatham House, is autho *Multinational Companies and the Third World* (London: Allen Lane, 1974).

:turing companies have taken their place, finding the large potential ırkets like Mexico and Brazil particularly attractive. Some of the gest multinationals such as the automobile manufacturers now viously have a strategy of establishing themselves in all those major ıird World markets which will be growing fastest in the next decades. terest has also turned to Taiwan, South Korea, Hong Kong, Singapore, d Northern Mexico which offer cheap, well-disciplined labour for ıour-intensive assembly operations. These 'runaway' industries have come a source of considerable worry to American trade unionists, plaining why labour leaders have generally been protectionist in cent years.

ımpany power in the 1950s

The period from 1945 to the Cuban and Congolese crises of the early 50s was the last time in which companies in dispute with host governnts could seriously hope to either subvert their opponents themselves, count (if need be) on parent governments coming to their rescue with her overt or covert force. Even so, some of the incidents which on the face appear to indicate only concern with protecting corporate erests are in fact more complex.

For instance, it is possible to interpret the 1951–3 Abadan crisis as an glo-American struggle for the control of Iranian oil, in that, once it ame obvious that even conservative Iranians could no longer tolerate imposition of the Anglo-Iranian Company's monopoly, the US State partment championed the right of American companies to join in the duction of Iranian oil. However, contemporary State Department ers recently made public by Senator Frank Church's subcommittee multinational corporations[1] suggest that US officials were concerned with outwitting the British than with finding a way of bolstering the nces of the post-Mossadegh regime without antagonizing Russia, ch had her own strategic interests in Iran. To this end, the inclusion merican companies in the eventual Iranian consortium increased the unt of Iranian oil which could be disposed of in world markets, ing the available taxable revenues. There is even some evidence suging that the American majors already involved with the Aramco conium were less than enthusiastic about participating since they had e than enough oil coming to them from Saudi Arabian sources. Thus, it originally looked like a struggle between American and British corate interests in fact needs to be seen in the wider context of Sovieterican relations, in which American companies were less the initiators olicies than the instruments of the State Department.

lineteen-fifty-four saw the overthrow by coup of President Arbenz in

The International Petroleum Cartel, the Iranian Consortium and US national ity (Washington DC, February 1974).

Guatemala, an event often implicitly laid at the door of United Fr
since Arbenz's quarrel with the US had started the previous year with
expropriation of idle land owned by United Fruit, and there was
unusually close relationship of the company with the Dulles family. T
Secretary of State, John Foster Dulles, was a past legal adviser to
company, while his brother, Allen Dulles, who was head of the CIA wh
the coup took place, was an ex-president.[2] However, although the co
pany was the prime beneficiary of the coup, there was also a wi
strategic issue which would probably have led to American interventi
even if United Fruit had not existed—Arbenz's decision to buy Czecl
slovakian arms after the US and other Western sources had refused
supply Guatemala with them. This was certainly the argument used
John Foster Dulles to justify US hostility towards the Arbenz regime, l
it is equally clear that at least one retired United Fruit executive v
introducing CIA agents to potential coup leaders.[3]

The last even partially successful independent intervention by a co
pany in the domestic politics of a Third World country was that of Uni
Minière in the ex-Belgian Congo. This Belgian-owned mining compa
dominated the colony's economy, particularly in Katanga. It has be
suggested[4] that the company headquarters did not necessarily supp
the idea of Katangan secession at the time of independence, but sin
they paid their taxes to Katanga rather than to the central government
Leopoldville they helped finance the secession under Tshombe's lead
ship. However, if the headquarters were cautious, there is little dou
about the loyalties of local employees. U Thant has alleged that compa
officials openly allowed the manufacture of armoured cars and bom
while putting many of the mercenaries on the company payroll as a for
of camouflage. After the collapse of the secession movement, the compa
was punished when President Mobutu squeezed it out in the mid-196
in favour of another Belgian mining company, the Société Générale d
Minerais. Attempts by Union Minière to return to what is now Zaire ha
been consistently turned down since then.

The lessons of Chile

In comparison, ITT's attempts to persuade other companies and t
US State Department to enter into a campaign of economic sabota
aimed at preventing the confirmation of Allende as President were a to
failure. There is no evidence that ITT got any other companies to supp
its campaign and, upon exposure of the relevant correspondence, th
was virtually unanimous condemnation of the company's methods wit
the US business community. This is not to deny that the US corpo

[2] David Horowitz, *From Yalta to Vietnam* (London: Penguin, 1967), p. 16
[3] *ibid.*, p. 179.
[4] Crawford Young, *Congo: Decolonization and Independence* (Princeton Uni
sity Press, 1965).

blishment was happy to see Allende fall, but there seemed to be an reness, at the very least, that companies following the ITT strategy ıld risk exposure, with resultant loss of their investments. The ıgressmen who questioned CIA officials after the coup are still ious about the extent to which the agency might have indirectly or ctly assisted anti-Allende demonstrations through the subsidiaries of companies in Brazil and elsewhere in Latin America.[5] Forgetting ut ITT, it would appear that the major area where corporate interests e at stake was in the expropriations of copper mines formerly owned Cerro, Kennecott, and Anaconda. US policymakers seem to have used ie pressure here, with Eximbank officials refusing new credits to nce purchases from the US as long as the question of compensation such interests was not resolved. Leverage was also applied through Inter-American Development Bank and the World Bank, which ısed the bulk of loan applications from Chile, even while the country had a good repayment record.[6]

'he lesson of Chile would seem to be that the days when companies ld work covertly within the political process of a host country are ually dead. The ITT affair showed that most American companies are extremely reluctant to get involved in the kind of skulduggery that Γ was suggesting; and the latter's public exposure will have confirmed st of them in their belief that they were right. However, it is also clear companies can still form a powerful lobby, calling, in this case, for rage to be exerted through aid programmes and international financial hanisms. This strategy is chiefly open to American businessmen, e bodies like the Inter-American Development Bank and the World k are still ultimately under US control (significantly, the more opean-oriented International Monetary Fund followed a 'business as al' policy towards Chile). In so far as most Third World countries have wing debt problems, these indirect pressures can still be effective. should note, however, that the whole Allende episode has left con-rable concern in Congress. In particular, there is worry about the an investment guarantee programme like that of the Overseas rate Investment Corporation (Opic) can be used by unscrupulous ıpanies to bring host and parent governments into conflict. Opic has n trying to get round this by refusing to cover the losses of companies ITT which have provoked their own expropriation.

'orming judgements so soon after as unsavoury an affair as Allende's rthrow is undoubtedly difficult, but I would suggest that the actions ıe American Government and companies were not typical of company

For instance, Representative Harrington, cited by Tad Szulc, 'The CIA and e', IDOC (International Documentation on the Contemporary Church), rnational North American Edition (New York), No. 58, December 1973, 61–4.

Joseph Collins, 'Tightening the financial knot', *ibid.*, pp. 70–4.

and government thinking in other parts of the world. For instance, t copper industry has in fact acted with restraint in Zambia, Zaire, a Peru in the face of increasing control by the governments concern The oil industry has also given ground relatively gracefully under t Opec onslaught. Indeed, the companies are now sometimes be attacked in their parent countries for not fighting hard enough for co sumer interests. They have undoubtedly liaised with consumer govern ments in the search for a common front against the producers, but the have been no cases of companies calling for the subversion of K Faisal or, even, Colonel Qaddafi. Their actions seem to suggest th awareness that, in the long run, they must come to a modus vivendi w producer governments, whatever their apparent political philosophy.

Making out a negative case is not easy but, instead of taking Chile an example, a better guide to the way in which corporate thinking h developed is to compare Union Minière's strategy in the Congo in 19 to Shell-BP's in Nigeria in 1967, when Biafra tried a secession attem very similar to Katanga's. The discovery of oil in Eastern Nigeria gave added incentive to the Ibos to try to secede from Federal Nigeria. She BP were caught with the bulk of their operations in what was to b known as Biafra, and both sides demanded that the company make royalty payments to them. There is no evidence that the company incit the Biafrans, but it stalled as hard as it could in making any payments either side. Finally, it tried the compromise of offering Colonel Ojuk a sum proportionate to what the East would have eventually receiv from the formula adopted by the federal authorities. Both sides to offence, and the federal troops launched an attack on the East. Once war started, the constraints under which the company was working w only too clear. There was considerable difficulty in extricating manag (one of whom was held as a hostage by Biafra for a while), and the Sh BP plant in the East was badly damaged during the hostilities. Howe throughout the crisis, the company seems to have refrained from enco aging the secession, even though its situation was in many ways sim to that of Union Minière in Katanga. The difference was the appa acceptance by Shell-BP that Nigerian politics were a matter for Nigerians and that a company like it should back the status quo. T position may, of course, have been in response to British governm policy at the time but there is as yet no evidence that Shell-BP trie exert its influence in any way.

The rise of economic nationalism

One of the main forces leading the companies to moderate policies towards the Third World has been the rise of self-confid amongst its governments. Partly this has been a function of the e emancipation, with countries which have won independence forr

y trying to win it in economic practice as well. Partly it is a function of same communications revolution which has made today's globally egrated multinationals possible; the sheer ignorance that governments e showed in economic and management affairs is being overcome as y learn from the successes and failures of their colleagues in other rts of the globe.

There is nothing new about economic nationalism. Within Latin nerica, for instance, one can trace it back at least as far as Balmaceda's empt in 1886 to break the English monopoly on the Chilean nitrate lustry. In the Far East, Japan was to grow despite an elaborate avoid-e of foreign investment on her soil. The Soviet Union, after a flirtation h foreign capitalists during the 1920s, retreated back into a policy of arky. For the understanding of current trends, however, Latin nerican developments were the most important. By the 1920s, Chile, uguay, and Argentina had refused to allow their oil industries to fall o the hands of the oil majors. In 1938 Mexico expropriated the foreign companies, triggering a major diplomatic row. The Mexicans were y in that Franklin Roosevelt was relatively sympathetic, but even so eded the Second World War for the Americans to cool down and, ntually, accept President Cardenas' action.

he 1950s and the 1960s saw the creation of a number of institutions ch have become essential to maintaining the Third World's level of reness. Within Latin America, the UN Economic Commission for n America under Raul Prebisch trained a whole generation of techno-s who helped modernize that continent's economic management. bisch was to expand his audience when he was appointed head of tad on its creation in 1963. Simultaneously, the early Pan-African gresses were complemented by the 'positive neutralism' movement, helping to create a climate of understanding amongst Third World ers. Countries in dispute with the old colonial powers had now the ntage of supportive institutions.

he Third World group which has had most success against the com-es in a specific industry is obviously Opec, the Organization of oleum Exporting Countries. The original drive for the creation of a body came from Latin America, where Venezuela was worried that elatively tough approach to industry problems could be undermined ompanies choosing to exploit the much less sophisticated producer rnments in the Middle East. In fact, after a slow start, one of the nization's early successes was to persuade King Idris's regime in a to get the companies to accept terms which were in line with those ed elsewhere in the oil world.

pec led to the formation of an equivalent body for the copper istry, Cipec; here, once again, Latin American influence was strong. e's President Frei had initiated a campaign of 'Chileanizing' his

country's copper industry in the mid-1960s. His close personal relationship with President Kaunda culminated in the latter's visit to Chile, when the Chileans were horrified by the copper legislation which Zambia had inherited with independence. In June 1967 Cipec was formed, and in 1969 Zambia moved against the copper industry, basing her demands heavily on the Frei 'Chileanization' formula. The structure of the copper industry is such that the producers will never be as politically effective as their counterparts in Opec, and it is unlikely that attempts to form successful producer cartels in industries such as bauxite will be as effective either. One would expect the governments concerned to have more success in raising the degrees of national ownership of such extractive industries, and in increasing levels of taxation, than in orchestrating production and pricing strategies across the globe so that their commodities are lifted to a permanently higher price level. For instance, unlike Opec with its hard core of culturally related Islamic nations, the new bauxite producers body, the International Bauxite Association, has to reconcile the interests of Jamaica, Yugoslavia, and Australia. It is hard to see the last country agreeing to an out-and-out boycott of industrialized consumer countries and, without it, a common front of bauxite producers would be less effective.

The recent 'Banana War', in which Standard Fruit and United Brands (the former United Fruit) took on those countries wishing to create a banana-exporting cartel, shows that not all the traditional companies are willing to give ground without a fight. The seven main banana producers met in March 1974 to agree to the provisional creation of what may still become the *Unión de Países Exportadores de Banano* (Upeb). Between them, Ecuador, Costa Rica, Honduras, Panama, Guatemala, Colombia, and Nicaragua produce 250 million of the 350 million crates of bananas which are exported annually. Their first major action was to propose significantly increased export taxes on the companies controlling the trade.

Opposition to these proposals was led by Standard Fruit, which allegedly persuaded Ecuador, the major producer, to withdraw from further discussions of these measures. The company then announced a production and export cut-back in Honduras (the third largest producer) and wage cuts for its employees. The Government was already facing a strike of lorry owners, demands for real land reform from a combative peasantry, and counter-pressures from Nicaragua which felt that such reform smacked of communism. The additional pressure from Standard Fruit was too much, and the Government agreed to consider lowering its export tax. United Brands then entered the fray against Costa Rica, which is the largest producer after Ecuador. While Standard persuaded US dockers to 'black' Costa Rica bananas, United Brands refused to settle a strike; and in July, the Costa Rican Government announced that it would

allow the companies to pay an export tax based on market fluctuations. Finally, United Brands turned on Panama, the most militant banana-producer. After suspending its operations, thus throwing 2,000 labourers and small growers out of work, the company forced the Government to buy it out (thereby transferring all production risks to the state), while at the same time retaining an exclusive marketing contract for the next ten years. The outcome is generally seen as a victory for the American companies, which maintain their marketing hold on the industry without tying themselves down to further investment in productive capacity.

UN Intervention

The relationship between multinational companies and Third World countries is thus becoming more flexible. Old traditional patterns in which the companies could count on negligible interference by the host countries are now defunct. Today, the exact pattern which will be followed depends on the size of a country's markets and the sophistication of its government, as against the exact package of finance, technology, products, and managerial skills which the companies may be offering. For instance, companies like International Business Machines (IBM) still find most countries willing to let them in as 100 per cent owners of their subsidiaries. However, Latin Americans, particularly the members of the Andean Pact, are questioning whether their countries might not be able to get at least some of the benefits offered by multinationals without paying the traditional price. They have drawn up lists of industries in which foreign investment should not be permitted. They are demanding that, where such investments are allowed, they should be for a fixed length of time, at the end of which the companies must sell out to local investors. They have also opened the debate over technology transfer, suggesting that traditional patent laws might be restrictive devices harming Third World countries. Increasingly, investment by multinationals in such countries is seen as a privilege, not as a right. The greater vigilance on the part of host governments will have been given a fillip by the fairly radical report which the Group of Eminent Persons submitted to the United Nations in May.[7] Despite their measured words, they have aligned themselves firmly with the critics of the multinationals, recommending ways to make another ITT-type of intervention less likely, and to improve corporate behaviour in areas such as technology transfer, transfer pricing, and industrial relations.

Their prime recommendations are for the creation of an information and research centre at the United Nations, under the general guidance of a commission on multinational corporations. This commission should

[7] *The impact of multinational corporations on the development process and on international relations* (UN Doc/E/5500/Add. 1: Parts 1 and 2). The Group of Eminent Persons had already produced a useful interim report in 1973, *Multinational corporations in world development* (ST/ECA/190).

report annually to the UN Economic and Social Council which should try to debate the problems created by the multinationals at least once a year. It is also felt that the UN should strengthen its ability to give technical advice on how to handle these companies as part of its general aid programme. This reflects the group's belief in the 'technology of choice', in which the less developed countries (LDCs) are as unskilled as in handling various high technologies; the UN should help them in identifying the best strategies open to them when faced with potential foreign investors. As the report suggests, the LDCs may well find ways of importing technology without relying on the multinationals, either in whole or in part. Much of the report consists of a series of pragmatic recommendations for action such as the creation of an expert group to advise on international accounting standards, studies which could lead to an international anti-trust agreement, and a complete reappraisal of the function of patents (it is very critical of the World Intellectual Property Organization). Underneath all these suggestions runs a basic philosophy which questions the value of multinational investment in the Third World, arguing that countries concerned with development will not want to rely solely or excessively on such investment, and that international aid should be increased as the alternative.

A number of the Eminent Persons have added their qualifications to the body of the report. Those closest to industry, like Senator Jacob Javits, obviously feel that the report verges on the idealistic, but the indications are that the time is ripe for some kind of UN body to monitor the activities of multinationals. It is difficult to gauge the impact this may have on the world. It will undoubtedly add to the general sophistication of LDC governments, making it harder for the companies to impose one-sided contracts on ill-informed authorities. However, ultimately, the exact contract which is struck between multinationals and LDCs will reflect the state of the world market, and differential access to technical and managerial skills; and here the UN can do little but scratch the surface. Where LDCs have large markets (like India), or resources needed by the multinationals (like the oil producers), their governments will have a lot of cards in their hands when bargaining with the companies. However, this will still leave many LDCs with few such advantages: except marginally, no amount of UN recommendations are going to help them.

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Notes of the month

OIL PRICE RISES AND THE DEVELOPING COUNTRIES

THIS autumn marks the anniversary of the Arab-Israeli conflict which erupted on 6 October 1973, and which was followed in stages by a fourfold increase in oil prices to a monetary level that has been maintained by Opec ever since. During the year, the UN General Assembly has held a special session on raw materials and development, initiating an emergency operation to aid the poorest countries most hit by price movements, the World Bank has reassessed the growth prospects of developing countries, the International Monetary Fund has set up an oil facility to finance oil accounts deficits in importing countries and recycle Opec revenues, and several of the Opec states have established agencies of their own to channel funds to needy countries.

What are the problems raised for developing countries by the current level of oil prices, and how far has this activity on the international scene contributed to their solution?

To put their energy problems into a global perspective, the developing countries with 70 per cent of the world's population account for only 8 per cent of its primary energy consumption. Oil meets 45 per cent of the world's energy needs, but the developing countries rely on it proportionately more heavily (to around 60 per cent on average). Whereas the world per capita rate of oil consumption is 5 barrels (or 175 gallons) per year, it is no more than half a barrel (17 gallons) per person per year over much of Africa and Southern Asia, against 15, 20, and 30 barrels per person per year in Western Europe, Japan, and the US respectively.

The developing countries, excluding Opec/Oapec members,[1] are around 70 per cent self-sufficient as to their total energy supplies. Half of this self-sufficiency is in fact in oil—locally produced oil. In most of those fortunate to have any, production is either small or very small, with the exception of Mexico and Argentina who are producing 500,000 barrels per day each (1 per cent of world output). Those in the 100,000 barrels (plus) per day class are India, Malaysia, Brunei, Congo, Angola, Colombia, Trinidad, Peru, and Brazil. Bolivia, Chile, Turkey, Yugoslavia, Burma, Pakistan, and Thailand have some production, and minor amounts are produced in Israeli-occupied Sinai and Cuba. The Philippines, Cambodia, Afghanistan, South Korea, South Vietnam, and New Guinea may start producing in a small way within a year or two. Other

[1] Opec comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, and Venezuela. Oapec includes Arab Opec members plus Bahrain, Egypt, Oman, Syria, and Tunisia.

energy modes (solid fuels, hydro-electricity, and natural gas) make up the remainder of the developing countries' indigenously produced supplies. India is the only significant coal producer, with a current annual output of 80 million tons; smaller amounts are mined in North and South Korea, Mexico, Brazil, Colombia, Chile, Rhodesia, and Zambia, and minor amounts in others.

The 30 per cent gap in the developing countries' total energy consumption which is not supplied indigenously is met almost entirely by oil imports from Opec. These amount to 5 million barrels per day on average, or 10 per cent of world consumption. The major oil importers are Brazil, India, and Singapore/Malaysia, each needing 500,000-750,000 barrels per day. Central Latin America and South-East Asia each import up to one million barrels per day, while several small refineries in Africa and South Asia run mainly on imported Opec crude. These oil imports cost the developing countries $5,000 m. in 1973. In 1974 they may have to pay over $15,000 m.

Several general points have already been made in the analysis of March 1974 by the World Bank,[2] but four in particular are worth repeating and expanding upon. Firstly, the potential to reduce demand in the face of high oil prices is not nearly so great in the developing countries as it is in many industrialized countries. In the US and Western Europe savings equivalent to 10 per cent or more of oil demand have been occurring in the domestic and private sectors of the market since last winter. In the developing countries a far greater proportion of energy is used in the essential industrial and transportation sectors, and a correspondingly lower proportion in the domestic and private sectors, than is the case in most developed countries. The poorer the country, it seems, the more inelastic is demand to price. Put another way, no poor country ever consumes much more energy than the economically essential minimum at the time, whatever the price of the marginal supply.

Secondly, the capacity of individual countries to absorb oil price increases in the short term varies enormously. Those with significant monetary reserves, with ready access to capital markets, and who are benefiting from high world prices of other primary commodities, such as Malaysia and Brazil, are in a much less vulnerable position than those 30 (or so) countries whose per capita income is below $200 per annum. These include India, Pakistan, Bangladesh, Sri Lanka, and many African countries. Agriculture is likewise having to absorb increases in the petroleum-based fertilizers commensurate with oil price rises (although there are offsetting price movements which are favouring agriculture; for example, jute and sisal are enjoying an improvement in their competitiveness with the petroleum-derived synthetic fibres). Several of the poorest

[2] *Additional External Capital Requirements of Developing Countries*: an Analysis by the Staff of the World Bank Group.

countries have coincidentally been stricken with adverse climatic or other natural disasters.

Thirdly, most developing countries are hampered from diversifying their energy sources by their relatively inflexible energy base. The development of alternative fuels will require considerable allied investment in industrial infrastructure, which would constitute a further drain on foreign exchange capacity and which could involve significant diversions from other development programmes or from expenditure in such socially pressing areas as health and education.

Fourthly, if oil prices remain at current levels in real terms for the remainder of the decade, economic growth is anticipated by some economists to slow to a rate of not more than 4 per cent per annum on average in the OECD countries, and possibly to only 2–3 per cent p.a. on average in the developing countries. In this case, the poorest 20 or 30 countries with the lowest per capita income (below $200 p.a.) will essentially stagnate, an absolute decline in per capita income being inevitable in many of them. (The enormity of this situation is that up to one-third of the world's population could be in this category.) If economic growth is as low as this, the rate of growth of energy consumption could be correspondingly low. Some countries could be using not much more energy in 1980 than they did in 1973. Few countries, developing or developed, will require anything like the growth rates in energy supplies that had been generally forecast earlier in 1973. Consequently, the target for energy self-sufficiency is lower in a high oil-price scenario for most countries than in a moderated oil-price scenario.

The developing countries, in common with all oil-importing countries, have a strong incentive to develop alternative sources whose marginal costs appear to be below the price of imported oil. As noted above, the developing countries as a whole are able at present to meet 70 per cent of their own energy requirements themselves, 35 per cent from indigenously produced oil. By 1980, it has been estimated that 45–50 per cent of their energy needs could be supplied from indigenous oil production. Given financial and technical assistance, the remainder could be met in total from a combination of increased exploitation of solid fuel resources (mainly coal) and a doubling of both hydro-electric generation and natural gas production, with a limited availability of nuclear power from the existing nuclear programmes in India, Korea, Argentina, Mexico, Brazil, and Pakistan.

The developing countries whose probable oil reserves may be sufficient to support enhanced production levels are (in likely order of importance) Peru, Burma, Thailand, Angola, Congo, Brazil, and Argentina; in addition some further prospects are expected in India, Pakistan, Malaysia, and Bolivia. A few South-East Asian countries are expecting their first indigenous production within a year or two.

India's nationalized coal industry is scheduled for a sizeable boost, an production is planned to be up by 20–30 per cent within a few year Other Asian and Latin American countries will doubtless be looking fo some higher output. In Black Africa, only Botswana, Zambia, and pos sibly Nigeria appear to have coal reserves sufficient to support an annua production of at least 1 m. tons.

The International Atomic Energy Authority considers some 23 de veloping countries to be the most promising candidates for the introduc tion of nuclear power over the next 5–15 years. A survey was conducte in 1973 (before the main oil price rises) of the economic justification fo nuclear plants in 14 of these, of which only Argentina, Korea, and Mexic already had plants in operation or under construction. (India and Braz were not included in the survey.) The conclusion was that a substanti market exists in all 14 countries for medium- and large-sized powe units (but not for small units), with 80–95 per cent of the total therm power plant market potentially being nuclear in 1985–9. The financin requirements for all thermal plants to be commissioned during 1980- as estimated would probably be of the order of $40,000 m. The countrie covered by the survey were Argentina, Bangladesh, Chile, Egypt, Greece Jamaica, Korea, Mexico, Pakistan, Philippines, Singapore, Thailanc Turkey, and Yugoslavia.

However the overall picture may look for the developing countries as whole, the long-run prospect for many individual nations and regions bleak. Many African countries appear to have neither significant ind genous oil or coal reserves nor the ability to increase the value of the export trade generally. South-East Asia as a region may be able to ir crease its indigenous supply of primary energy from 45 per cent of deman (in 1973) to 75 per cent by 1980. But it could still be facing an inevitab energy gap for many years, while the proportion of Japanese oversea investment in this region could well drop as Japan seeks more purpos fully to secure her own energy supplies.

The World Bank estimates that the balance-of-payments deficit of a non-Opec developing countries will amount to $2,600 m. in 1974 ar $6,800 m. in 1975, or almost $10,000 m. for the two years (a figu equivalent to the increased cost of their oil imports in 1974 alone).

The most far-reaching initiative so far taken has been the UN Pr gramme of Action following the General Assembly's session in April ar its grandiloquent Establishment of a New International Econom Order. The resulting UN emergency operation has the goal of raisi $3,000 m. in contributions from the developed and oil-exporting cou tries to aid those developing countries most affected by price movement The EEC has offered one-sixth of the total fund, and it is anticipat that the industrialized countries will probably reach the subsidiary go of half the fund. Most of the oil-exporting countries are reported to l

ıuctant to assume an equal share of the fund and question whether ey necessarily have an identical responsibility to the poorest countries. ·nezuela and Iran seem to be preparing to make substantial contri-ıtions but, apart from them and Algeria and Nigeria, it is now con-lered unlikely that most of the other oil-exporting countries will con-bute directly to the UN fund.

No general Opec aid scheme has been adopted, although a few have en proposed. In April the Opec Ministers failed to agree on the setting ı of an Opec emergency fund to offer soft-loan finance to countries ɔst hurt by oil price increases. Another (unaccepted) proposal was for a o-tier pricing system (a four-tier system was also mooted which would ve favoured friends, Muslims, and developing countries). Instead, me of the Arab states have established aid funds of their own, including e Kuwait Fund for Arab Economic Development, capitalized to ;,380 m., the Abu Dhabi Fund for Arab Economic Development, pitalized to $500 m., and the Iraq Fund for External Development, pitalized to $169 m. Saudi Arabia intends to set up her own fund, and s earmarked $845 m. in her 1974–5 budget, together with $1,300 m. r development in 'friendly states'. The coverage of these funds is ıted to include non-Arab countries, but how much, if any, is as yet ing disbursed outside the Muslim countries is unclear. Egypt, Syria, ıdan, Somalia, and the Yemeni states have been recent beneficiaries.

As far as African countries are concerned, an Arab-African Fund was tablished in Cairo in January in order to grant loans to African states pay for their oil imports. So far six Opec members have contributed 50 m. towards the target of $200 m. This fund has been described by rtain African leaders as 'paltry' and 'absolutely inadequate', and the inisterial Council of the Organization for African Unity appealed in ne to the Arab League to persuade the contributors to convert the fund :o an outright aid programme. But the aim appears to be to retain it as 'und and to attach it to a projected Arab Bank for African Industrial d Agricultural Development, to which Saudi Arabia has recently con-buted $50 m.

Several equity investments in new projects in developing countries are ınned by Opec countries; for example, Abu Dhabi has announced her uity participation in a fertilizer project in Pakistan, and is examining : prospects for economic co-operation with India. On another front, ıq has recently loaned India $110 m. to cover the latter's Iraqi oil rchases in 1974. But the potential for bilateral trade on a substantial ıle between Opec and non-Opec developing countries is very limited.

The IMF's special oil facility is being set up following the Managing rector's tour around oil-exporting countries in April. The facility is ɔorted to have $3,400 m. at its disposal, loaned by seven or eight oil-porting countries, including Canada. The intention is to help finance

oil deficits in importing countries and to recycle oil revenues as a bridging facility pending longer-term solutions to the problem. It is about to make the first loans to some nine nations of a total of $171 m. at 7 per cent interest rate.

To sum up, oil prices of a year ago have caused many oil-importing countries, including developing countries, to embark on programmes to achieve an eventual high degree of energy self-sufficiency. But many of the poorest developing countries lack conventional energy resources of their own and are probably destined to remain clients of the oil-exporting countries for many years. Since it is unlikely that the price of oil will fall significantly (either generally or selectively) or that their terms of trade will improve dramatically over the foreseeable future, some more or less permanent financial assistance would appear to be necessary for these countries. Many of those developing countries who have oil or solid fuel reserves or whose prospective energy consumption is sufficient to justify a nuclear power programme will require enormous capital inflows if their indigenous energy supply potential is to be exploited. The burden, in terms of balance of payments and diversions from other development, will be very great. In the meantime, most of these countries will continue to need oil imports until the day they eventually achieve energy self-sufficiency. These countries, too, are likely to need outside financial assistance for several years. Many of the poorest countries can anticipate an absolute decline in per capita income as a result of the slow-down in world economic growth which is forecast by some analysts over the next 7–10 years if oil prices remain at current levels. Programmes such as the UN emergency operation and the IMF oil facility look like being needed for some considerable time. But their relatively limited scope will need to be extended progressively both financially and in other more imaginative ways if even the most modest material expectations of a large proportion of the world's population are to be realized.

JEREMY LUNN

THE MALAYSIAN ELECTIONS

GENERAL elections were held in Malaysia on 24 August and resulted in the Barisan Nasional (National Front) achieving the overwhelming victory which had been predicted. For various reasons the nation went to the polls eighteen months before it was necessary, but the most important one was undoubtedly the changing economic situation. In addition to the ever present inflation, there is concern at the effects of falling commodity prices, which according to the Bank Negara could mean an increase of only 4 per cent in real income this year as against one of 16 per cent in 1973.

A second reason was the progress of the National Front. Certainly there were some problems as far as the non-Malay parties were concerned

ıe Malayan Chinese Association (MCA) had gone through tempestuous ıes but remained unrepentantly unreformed, and in April 1974 it had t its leader and only great national figure when Tan Siew Sin resigned cause of ill health. Inside the Front it co-existed uneasily with the rakan, whose leader Lim Chong Eu was seen by some as Tan's tural successor, and which had provided a haven for the Young Turks pelled from the MCA. There was an uneasy situation also in Perak ere the MCA and Malayan Indian Congress (MIC) were now chained their former opponents, the People's Progressive Party (PPP). Many ubted whether it would be possible for a common programme to be oduced by such diverse elements, and more particularly whether any eement on the apportionment of constituencies would be possible. should not be forgotten that the Malay parties, the United Malay tional Organization (UMNO) and Partai Islam (PI), had also been ter rivals, and some irreconcilables had been unable to stomach the w alliance. In the event, it proved easier than had been expected. The rakan for whatever reason made only limited demands, accepting nstituencies where its prospects were limited. Ten additional con-uencies had also been allocated to West Malaysia, and these made the amble for seats a somewhat less abrasive process.

A third reason may have been the disarray of the Opposition. The only o important parties in the largely non-Malay west coast states, the mocratic Action Party (DAP) and Pekemas (Social Justice Party), d failed to achieve any electoral pact, and this inevitably helped their ponents. In the mainly Malay areas the Malaysian People's Socialist rty (PSRM) was challenging, particularly in Pahang and Trengganu, t many considered the most important threat to the Barisan might ne from dissident PI and UMNO figures, fighting as independents. West Malaysia, with which we have so far been solely concerned, the akness of the Opposition meant that 32 Barisan candidates were opposed, leaving only 82 contests.

The Barisan presented itself as a force for national unity, political bility, and communal peace. Most of the pages of its programme were ncerned with past economic successes and future hopes, though only a le emphasis was put on the plans to restructure the economy and ter Malay entrepreneurial activities. Equally, the reference to foreign licy avoided direct mention of the new China policy. Both of these re, of course, played up in the appropriate quarters during the cam-gn. PSRM, the most radical of the Opposition parties, included a call nationalization of foreign-owned companies, but Pekemas and DAP ıded to stress rather the need for equality and justice between the nmunities. Pekemas called for a multi-racial, multi-cultural, and ılti-religious Malaysia, while DAP, known for its strong commitment Chinese cultural interests, emphasized the need for a thorough re-

form of the educational system. Parties and politicians raising su(
issues had to be careful not to contravene the Sedition Laws as amend(
in 1970, and this, besides limiting what politicians could say about con
munal matters, meant in sharp contrast to 1969 a quiet election. Tl
short period between Nomination Day and Election Day—a fortnight-
worked in the same direction.

The Barisan won 72 of the 82 seats contested in West Malaysi
obtaining 61·6 per cent of the valid votes. Together with those return(
unopposed and results so far in East Malaysia, they had won 120 out
the 130 results declared (the elections in Sarawak were spread ov
three weeks, and were yet to be concluded). Of the component partie
UMNO and PI beat off the challenge of the independents and PSR
with relative ease, the best Opposition performance being in Kelant
where the independents won 25 per cent of the vote, and in Trenggar
where PSRM won 30·8 per cent. In the non-Malay areas the experien
of the Barisan parties was mixed, with the MCA and MIC doing well
win 21 and 4 seats respectively. While Gerakan's Lim Chong Eu just he
his seat in Penang, Dato S. P. Seenivasagam, the leader of PPP, w
defeated and only one candidate from his party was returned. The futu
of PPP looked very bleak indeed. It was the DAP which did the dama
to PPP, and although it won only 9 seats as against 13 in 1969, its over
share of the vote was 21·1 per cent. Pekemas's performance was part
cularly poor, with only 5·5 per cent of the vote. Many of its candidat
did worse than independents, and only its leader Dr Tan Chee Kho(
was returned. Even so, had all its votes been given to DAP, it wou
have resulted only in a further five seats being won by the Oppositio
and then often by narrow margins.

In East Malaysia, a grateful Sabah handed all 16 seats to Tun Must
pha and the Barisan (in that order). According to Pekemas, ten candidat
it had intended to run there found themselves in detention until aft
nomination day. In contrast, in Sarawak there was a very open conte
between the Barisan and the Sarawak National Party (SNAP), but tl
latter failed to win control of the state.[1]

Tun Razak has increased the size of his Cabinet to twenty-one ar
brought in two men who were only five years ago considered in differe
ways to be unacceptable radicals, Dr Mahathir and Musa Hitam. Tl
Deputy Prime Minister, Hussein Onn, is in overall charge of Finance, b
has as his assistant the former Secretary-General of the Treasury, Cho
Hon Nyan. The elections have been a triumph for Razak, and there is
doubt that his personal authority has been greatly enhanced. It has al
been a successful trial run for his creation, the Barisan Nasional.

STUART DRUMMO

[1] SNAP won 9 parliamentary seats, equal to the number won by the DAP. Tl
means that the National Front finally had 135 seats as against the Opposition's 1

MBFR: political or technical arms control?

ROBIN RANGER

A limited agreement on mutual force reductions, avoiding deadlock over the technical requirements of MBFR, may well prove acceptable to both super-powers as a measure symbolizing their political détente; it would, however, do little to curb their use of military technology.

THE negotiations between Nato and the Warsaw Pact Organization (WPO) on Mutual and Balanced Force Reductions (MBFR) began in Vienna in October 1973, but there has been relatively little progress towards agreement since the USSR and the US tabled their opening offers. An analysis of these offers shows that in these, as in other arms control negotiations, the Russians were seeking political arms control while the US was seeking technical arms control. Despite the gap between the two super-power positions, their common interest in securing a political agreement preserving the *status quo* in Europe meant that a limited agreement was possible within the next year, especially given the recent changes in West European governments which made them more favourable to such an agreement.

The distinction between political and technical arms control was essential to an understanding of the super-powers' differing approaches to arms control agreements in general and MBFR in particular. The generally accepted Western ideas of arms control stressed its technical aspects because their objective was to impose verifiable limitations on those aspects of strategic technology regarded as destabilizing, notably weapons suited for surprise attack. Hence the Nato concept of MFBR, reducing the WPO's superiority in the means of surprise attack, in this instance tanks, while also reducing the number of Forward Based Systems (FBS) for delivering tactical nuclear weapons. FBS are regarded as destabilizing by US arms controllers because vulnerable to a surprise or pre-emptive attack, especially one directed against Quick Reaction Alert (QRA) aircraft. In contrast, Russia rejected the notion of MBFR, stressing instead the need for symbolic cuts in Nato–WPO forces, leaving their military balance unchanged but symbolizing and advancing the super-powers' detente. She has attempted to secure a reduction in

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FBS in Salt I and II but only to exacerbate relations between the US and Western Europe, since FBS are seen as symbolizing the US nuclear guarantee. Thus, to the Russians, arms control in Europe was not a relatively apolitical process of stabilizing the balance of deterrence, as the concept of MBFR suggested, but an attempt to secure Russia's political goals via symbolic reductions in Nato–WPO forces. Like all distinctions, that between the political and technical approaches to arms control was relative since all technical measures of arms control have some political effects, and vice-versa. But there was a major difference between the Nato concept of MBFR as an issue of technical arms control, where the negotiations were about the preferred modalities for the achievement of an objective (MBFR) agreed between the East and the West, and the Russian concept of Mutual Force Reducations (MFR), where the negotiations were primarily over the objectives the Russians wished to persuade the West to accept (the *status quo* in Eastern Europe) and only secondarily over the modalities for achieving this aim.

The Soviet approach

The Russians rejected the technical arms control idea that the numerical and geographical advantages enjoyed by the WPO should be offset by asymmetrical reductions, and insisted instead on the principle of equal reductions to leave the security of each side unchanged.[1] This Russian rejection of the Nato insistence that force reductions should be both mutual and balanced, i.e. asymmetrical, with the WPO's military advantage balanced by greater WPO reductions, was evident in the preliminary negotiations from January to May 1973. The WPO delegation refused to use the term 'MBFR' to describe the subject of the negotiations and secured a change in title to 'measures for the reduction of forces and armaments and other associated measures'. Nato attempted to balance this defeat by insisting on the principle of 'undiminished security for each party', but this only emphasized that MBFR referred to the technical arms control notion of measures stabilizing the Nato-WPO military balance against the threat of surprise attack.[2] This semantic dispute thus served to underline the substantive difference between the two sides, and that, for the Russians, these were not talks on MBFR. Since the Russians rejected the concept of MBFR, they were able to argue that Hungary should not be a direct participant in the MFR negotiations, thereby excluding the four Russian divisions in Hungary from consideration and enabling troops cut from the Central Front to be transferred to Hungary. The Russian view that the only direct participants

[1] See Yu. Kostko, 'Mutual Force Reductions in Europe', *Survival* (IISS, London), September/October 1973, pp. 236–8.

[2] See 'Mutual Force Reductions in Europe', Communiqué of the Exploratory Talks, 28 June 1973, and Joint Soviet–US Communiqué, 24 June 1973, reprinted in *Survival*, September/October 1973, pp. 240–8.

should be the USSR, Czechoslovakia, East Germany, and Poland reflected their earlier proposals for denuclearization and disengagement in Europe, which had usually covered the territory of the two Germanies, Czechoslovakia, and Poland. The final decision was that the direct participants would be: for the WPO, the USSR, Czechoslovakia, East Germany, and Poland, with Bulgaria, Hungary, and Rumania as observers; for Nato, the US, Canada, Britain, Belgium, the Netherlands, Luxembourg, and West Germany, with the flank countries represented by Denmark and Norway for the Northern flank and Italy, Greece, and Turkey for the Southern flank.

The Russian view of the principles that should govern the MFR negotiations were summarized by Mr Brezhnev on 26 October 1973. These were: (i) that reductions should include both foreign and indigenous forces, (ii) that both land and air forces should be included, (iii) that force units with nuclear weapons should be reduced, (iv) that the reductions should not disturb the existing relationship of forces in Central Europe and the European continent as a whole, and (v) that the reductions should be achieved by either equal percentage or equal numerical cuts. These principles were restated in the Russians' opening statement of 30 October which was rapidly followed, to Nato's surprise, on 8 November, by a WPO package for force reductions, containing four main items. Firstly, both foreign and indigenous forces of all eleven states who were full participants would be included in a three-stage reduction proportionate to the size of their forces. In stage I (1975) there would be an equal manpower reduction of 20,000 from each of the two sides, in Stage II (1976) the reduction would be 5 per cent on either side, and in Stage III (1977) a further 10 per cent reduction (Brezhnev's Point v). Secondly, the Stage I reductions would include nuclear and air units as well as ground forces (Brezhnev's Points ii and iii). Thirdly, reductions would be achieved by symmetrical trade-offs, with the withdrawals of a WPO unit being matched by the withdrawal of a Nato unit of similar size (Brezhnev's Point iv). Fourthly, foreign units withdrawn would take all their equipment with them, while indigenous units would be disbanded.[3] These were clearly proposals for MFR, not for MBFR.

Subsequently, the Russian and other WPO delegations concentrated on reiterating their insistence that the first phase of troop reductions must include all eleven direct participants and cover all except naval forces. The Russians also refused to give any figures for the existing level of forces from which reductions would take place and revised their anti-West German campaign by attacking the idea of European defence co-operation as a partial substitute for withdrawn American forces.[4] Similar

[3] See *New York Times*, 27 October and 26 November 1973.
[4] *New York Times*, 17 January 1974.

Soviet intransigence was evident at the Conference on Security and Cooperation in Europe (CSCE), where the Russians continued to reject Western proposals for the freer movement of people and ideas, while refusing to discuss confidence-building measures of political arms control, such as the prior notification of major military manœuvres and the exchange of observers by invitation.[5] In Salt II the Russians were also displaying a hard line, continuing to press for US reductions in FBS on the grounds that some FBS could reach the USSR and were therefore strategic weapons, while excluding Russian FBS and Intercontinental Intermediate, and Medium-Range Ballistic Missiles targeted on Western Europe. The general Russian attitude in all three sets of negotiations was that of a self-confident and aggressive super-power which retained a lingering belief in the utility of superior military force to secure political advantage.

The Nato approach

Despite the political differences between the Nato members on the desirability of MBFR,[6] the Alliance had evolved an agreed negotiating position based on technical arms control criteria. The three basic models for force reductions were, firstly, the symmetrical basic model, with a reduction of 10 per cent of national forces and 30 per cent of foreign forces in West and East Germany, Czechoslovakia, Poland, and the Benelux countries; secondly, the asymmetrical according-to-military-strength model, covering the same area but with reductions of 10 per cent in Nato and 30 per cent in WPO forces; and, thirdly, the asymmetrical according-to-the-area-embraced model, where the area of reduction would be enlarged to include the western part of the Soviet Union, while Nato and WPO forces were reduced by 10 per cent.[7] All three models clearly reflected the belief of Nato's military advisers that there existed a major WPO advantage in conventional forces, necessitating an asymmetrical model of MBFR if Nato's security were not to be brought by reductions in her forces to levels below that required to offer an effective conventional defence all along the Central Front. This assumption of Nato's conventional inferiority has repeatedly been challenged by the US, most recently in a major Pentagon study which concluded that Nato could conduct a successful conventional defence of up to 90 days against the WPO.[8]

Unfortunately, this study, like its predecessors, was open to the criticism that its US authors favoured a prolonged conventional defence of

[5] *New York Times*, 9 June 1974.

[6] See Christoph Bertram, 'The Politics of MBFR', *The World Today*, January 1973.

[7] K. A. Tortenson 'MBFR: An Introduction' *Internasjonal Politik* No. 2/3, 1971, pp. 206–37.

[8] *Washington Post*, 17 June 1973.

estern Europe and had therefore adjusted these figures to produce the sired results, in this instance a justification for a reduction of US forces. nis debate between analysts on the nature of the existing military lance in Western Europe, let alone the balance after MBFR, seemed soluble, except by a political decision to adopt a particular set of figures r the purposes of negotiation.

Those finally chosen by the US for her November 1973 presentation the initial Nato proposals on MBFR were 925,000 WPO ground comt forces, as against 770,000 for Nato, and 15,500 main battle tanks for e WPO and 6,000 tanks for Nato. Of these forces, 199,000 were US ound units, out of a total for US forces in Europe, including air and val units, of 310,000, compared to Russian ground forces on the Cenil Front of 470,000. The US proposal was for a two-phase reduction. Phase I the US would withdraw 20,000 men from unspecified units ilst the Russians would withdraw 68,000 men, all from specified tank its; no allied forces on either side would be withdrawn. In Phase II, to negotiated after Phase I had been agreed, both sides would reduce to common ceiling of 700,000 ground forces, including allied units[9]. The ference between this proposal for technical arms control and that of Russians for political arms control was indicated by the final force els: 700,000 for Nato and the WPO in the US offer; 820,000 for Nato d 1·15 million for the WPO in the USSR proposal. Between Novemr 1973 and October 1974 the Nato delegations were able only to clarify different technical terms in the two proposals. There remained four jor differences between the two sides: firstly, Nato wanted cuts to rt with the US and USSR, while Russia wanted these to begin with tional and foreign troops; secondly, Nato wanted these to be limited to ound forces, while Russia wished to include ground and air forces; rdly, Nato proposed to include only conventional forces, while Russia nted to include nuclear forces (FBS); and, fourthly, Nato adhered to principle of asymmetrical reductions to produce MBFR while issia continued to advocate equal reductions to produce MFR. But spite these differences recent developments have made a political ns control agreement on MFR more likely.

ie changing political context

Paradoxically, the lack of progress in Salt II and the super-power lure, at the Moscow summit of 1974, to conclude more than a ban on derground nuclear testing above a specified threshold, allowing the ntinued testing of new nuclear weapons, increased the pressure on the S and USSR to find some new era for political arms control to sym-

See *New York Times, op. cit.*, and 7 February 1974. The figures for the total 'O and Nato forces can be compared to those given in *The Military Balance*, '4–75 (IISS, London), p. 101.

bolize and reaffirm their mutual detente.[10] By the summer of 1975 Presi
dent Ford, although personally reluctant to reduce US forces in Western
Europe, will be under heavy political pressure to produce his own con
tribution to super-power detente. If Salt II remains stalled, an MFR
agreement will be the only significant measure of political arms contro
left. Additionally, domestic US pressures for a cutback in US forces in
Western Europe might well make some cutbacks politically desirable, so
long as the US military balance of payments deficit in Nato–Europe
remains at the $2,500 m. gross, reduced for 1974 to $600 m.—$1,400 m.
net, largely by West German offset payments.[11] The whole issue of US
troops in Western Europe has become one of political symbols, with the
real question no longer being whether the US Government will or will
not withdraw some troops but how many will be withdrawn, when, and
under what conditions. The Administration has resisted the pressure fo
withdrawal longer than most observers thought possible, partly through
using the argument that the US should not make unilateral force reduc
tions while MBFR were under discussion, but this argument makes i
harder to resist reductions through MBFR if these are offered by the
Russians. These domestic pressures for progress on MBFR have been
reinforced by changes in the diplomatic scene.

The major Nato governments all face a growing popular demand fo
reductions in defence spending, exemplified by the British Govern
ment's commitment to cut UK defence spending. MBFR offers at leas
one means of making such cuts acceptable to other Nato allies. Under the
earlier Labour Government, the UK was initially favourable to MBFR
when the idea emerged in 1967–8, seeing it as proof of détente; but unde
Mr Heath this position was reversed, with the UK participating in the
talks only to limit the damage and the force reductions as much as pos
sible. So long as Labour retain power, the UK may be expected to rever
to supporting MBFR, while any future Conservative Government coul
find it difficult to resist demands for defence cuts in the face of con
tinuing economic difficulties, and would in any case be unable to revers
a US decision to reduce her forces in Western Europe. France, under th
late President Pompidou, abstained from participation in the MBFI
negotiations for fear that these might stimulate domestic forces workin
for a reduction in defence spending, especially on the nuclear *force d*
frappe. She has maintained two divisions in West Germany and now ha
a limited number of *Pluton* tactical nuclear missiles deployed close to he

[10] See my 'Arms Control After the Moscow Summit', *International Perspecti*
September/October 1974.

[11] See *US Security Issues in Europe*, Staff Report, Sub-committee on U
Security Agreements and Commitments Abroad, Committee on Foreign Rel
tions, US Senate US GPO, 2 December 1973. The Jackson–Nunn Amendme
adopted by Congress on 15 October 1973 provides for US forces in Wester
Europe to be reduced by the percentage by which her Nato allies fail to offset the
balance of payments deficits with the US. *New York Times*, 6 November 1973.

boundary with the Federal Republic. Even if President Giscard d'Estaing continues the policy of non-participation in the MBFR talks, which is by no means certain, he will, like the UK, be unable to prevent limited reductions in US forces in Western Europe and will probably be less inclined than his predecessors to oppose US policies he can understand, even if he does not agree with them. Ironically, West Germany under Chancellor Brandt was the strongest supporter of MBFR as a logical extension of the *Ostpolitik*, but under Helmut Schmidt she may well adopt a more cautious attitude towards a policy that may give a still hostile Soviet Union some say in the future organization of West German defence. Schmidt will, however, remain sympathetic to the pressures on the US President to accept some token MBFR.

If, then, the political and diplomatic context of MBFR/MFR has changed to one favouring some limited reductions, representing MFR rather than MBFR, can such an agreement be reached? Surprisingly, given the differences between the technical and political approaches to this arms control measure, the answer could be in the affirmative. Despite the differences between the US and USSR positions outlined above, political compromises could bridge the considerable technical obstacles to agreement. For the sake of reaching agreement the US would probably be prepared to drop the technical arms control insistence that the WPO reduce by more than Nato, or else so modify this requirement for asymmetry as to make it meaningless. This would leave her proposing a reduction of 28,500 of her troops in the first stage of MBFR, in exchange for a Russian reduction of 68,000 men, while the USSR was proposing a reduction of 20,000 men in total Nato and WPO strengths in the first stage of MFR. The difference between the figures proposed for the super-powers themselves (namely 28,500 and 20,000, the majority of WPO reductions being Russian), could be bridged if the two sides could agree which type of forces were to be reduced and whether these should belong to the super-powers or not. The US could easily agree to include some FBS in the cutback, since their symbolic value as part of the nuclear guarantee to Western Europe has been lessened by the US care in keeping Nato allies informed about the discussion of FBS in Salt II. In exchange for a thinning out of FBS, Russia could accept a first stage reduction largely confined to the super-powers, though possibly including token reductions by other Nato and WPO members. These sorts of compromises, emphasizing political at the expense of technical arms control requirements, have accompanied all major measures of arms control to date and therefore should be expected in the MBFR/MFR talks. The deciding factor here will not be the complex details involved in the various Nato models of MBFR but the political interests of the super-powers in MFR. Nato's success in evolving new diplomatic machinery to determine a common position among its fifteen members in Brussels and

translate these directions into day-to-day MBFR negotiations by the *Group of Eight in Vienna has done much to lessen the divisive* effect of *Russian proposals for MFR and the CSCE. Moreover, it has* made such reductions politically tolerable for the West Europeans. Since these are also politically desirable for the super-powers, some agreement on MFR may be expected. But, like all other arms control agreements, this will be concerned with the politics of the super-powers' relationship, not with the restraint of military technology. Arms control in Europe as elsewhere, has remained a matter of politics, not of technology.

Indonesia's regional vision

MICHAEL LEIFER

Jakarta has established good bilateral relationships with most of its neighbours, but its long-term aspirations for the leadership of a neutralized Asia-Pacific region exceed its present capability. Despite a distrust of all extra-regional powers, Western military presences are tolerated as a contribution to Indonesia's own security.

THE Indonesian Government is only too conscious of the changin balance of extra-regional influences bearing on South-East Asia and th uncertainty which this change portends. To cater for such uncertainty i seeks through the generation of its own resources to become the prim manager of a new concert of states conceived in terms of regional auto nomy. This goal may appear an unduly ambitious one for a countr which has to live still with the legacy of 'confrontation'[1] and which ha also, in spite of recent windfalls from the rise in oil prices, to match it territorial dimensions and bulging population with economic well-bein and a settled, as opposed to a stable, political order. None the less, i spite of such constraints, the Indonesian Government has not been de flected from its regional purpose of autonomous neutralization, which pursues armed with the optimistic assumption that by the twenty-fir century the capability of the state will stand in a realistic relationship t current national goals.

[1] See my articles 'Indonesia and Malaysia: the diplomacy of confrontation' an 'The changing face of confrontation' in *The World Today*, June 1965 and Septen ber 1966 respectively.

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Although the emphasis of Indonesia's current international relationships would indicate that she is a model for the application of the Nixon Doctrine in Asia, it would be mistaken to regard her as a mere client or proxy state. Despite the striking differences between the foreign policies of President Sukarno and President Suharto, the experiences of the periods of national revolution and of outer-island dissidence have institutionalized a common apprehension among Indonesians of differing political persuasions of the intentions of all extra-regional powers. Such continuity of attitudes is reflected in a persisting concern for the integrity of a state without pre-colonial historical precedent and within which geography combines with ethnic identity in an alliance of centrifugal potential. This concern has been articulated in the official maxim of the Archipelago Principle—which represents the seas and straits surrounding and intersecting Indonesia as maritime bridges or interstices—and in opposition to regionally located foreign bases. It has been sustained by an acute sense of military weakness and also expressed in the conviction that extra-regional powers, whose interventions in the past are believed to have threatened the very existence and identity of the Indonesian state, have no rightful claim to exercise dominant influence within South-East Asia.

Given current military weakness and the developmental policies of the Suharto Government, Indonesia has been obliged to adjust the pursuit of regional goals to match primary economic needs and security objectives. Such a sense of priority was expressed well by President Suharto himself four years ago: 'The matter is that we shall only be able to play an effective role if we ourselves are possessed of a great national vitality.' In other words, foreign policy would be rooted in domestic strength and not, as in the Sukarno period, in domestic weakness. The way to national vitality has been sought through 'an external diplomacy geared towards the maximization of all available foreign aid, technical assistance, private investment and trade in support of our national development goals.'[2]

Given its major sources of economic assistance and the ideological predisposition of the military-dominated Government of Indonesia, there is a clear order of intolerance towards extra-regional powers which appears to be governed in great part by a determination to resist adverse changes in an uncertain regional situation. At the top of the list of powers to be denied access is the Soviet Union, which is suspect because she is Communist but also and importantly because her strategic capability expressed in naval display in the Indian Ocean indicates a growing projection of military power within striking distance of Indonesia's shores. The Indonesian initiative with Malaysia in November 1971 in asserting that the Straits of Malacca and Singapore were no longer international

[2] Adam Malik, 'Indonesia's Foreign Policy', *The Indonesian Quarterly*, October 1972, p. 28.

waterways distinguished by the right of unimpeded passage would appe
to have been directed at the Soviet Union more than at any other mar
time power. Indonesia for her part has shown no warmth towards \
Brezhnev's 'Collective Security' proposal for Asia, which conflicts wi
her own regional design; she has also indicated reserve towards Sovi
attempts to revive economic aid projects suspended since the downfa
of Sukarno. Linked in some suspicion with the Soviet Union is Ind
regarded as both Soviet proxy and regional rival and also resented for h
role in the dismemberment of Pakistan because of the parallels wi
Indonesian domestic circumstances. However, in so far as India becom
willing to assume the role of 'guard post' controlling 'the gate from t
North to the Indian Ocean', Indonesia is likely to modify her attitud
And in this respect, one might take note of the joint exercises held b
tween the INS *Nilgiri* and Indonesian naval vessels in the Java Sea
June 1973.

The Chinese People's Republic is regarded in a less conventional
threatening sense, although it is the subject of greater political passior
given its alleged subversive potential to promote Communist revival an
its relevance to the orthodox interpretation of the abortive coup
October 1965 and thus to the legitimacy of military rule in Indones
China is regarded also as a potential economic rival in competition f
capital and technology from, and the export of primary goods to, Japa
Indonesia has long made it clear that she would not like to see an ear
extension of Chinese diplomatic influence within South-East Asia, an
appears most reluctant to restore formal links with Peking. None t
less, there is a recognition that such a restoration cannot be delay
indefinitely, especially in the light of the Malaysian Prime Minister
visit to Peking last May, which preceded the establishment of diplomat
relations with Kuala Lumpur. Indonesia has accepted the mixed blessir
of Chinese support for her position on the Straits of Malacca and h
possibly reciprocated by making explicit her recognition of China
claim to the Paracel Islands, though pointedly not to the Spratly group.

The deployment of Western military presences—in all her partn
members of the Association of South-East Asian Nations (ASEAN)-
is readily tolerated (if within the limiting terms of the ASEAN Declar
tion of August 1967 relating to foreign bases) in so far as they make
indirect contribution to Indonesia's own security, for example,
ensuring that there is no prospect of a Soviet naval presence in Singapor
The future of Western-sponsored military pacts and arrangements
South-East Asia is contemplated, however, in terms of their forthcomir
transformation into more acceptable forms of military co-operation, su
as the provision of joint training and assistance which characterizes
unobtrusive aspect of relations between Indonesia and the United State
For the time being existing arrangements are approved, if not in pri

ciple. President Suharto's close adviser, General Ali Moertopo, has explained: 'Indonesia, though avoiding its own involvement in military pacts, sees the importance of its neighbours maintaining a pact from the point of view of their psychological situation. The unpreparedness of a country to bear with the dissolution of the pact will merely weaken the nation.' Ultimately, however, the Indonesian Government envisages the removal of all extra-regional military presences from its strategic environment, and in this respect one might take note of the publicly expressed disapproval of President Suharto at the prospect of the further development of the island of Diego Garcia in the Indian Ocean as a military facility under Anglo-American auspices.

ASEAN and the Asia-Pacific Triangle

Within an outlook which encompasses the Asia-Pacific region (i.e. as an enlargement of South-East Asia), Indonesia favours inter-state co-operation in the form of two sets of linked relationships. One set envisaged as exclusive to South-East Asia is ASEAN, within which the Indonesian Government regards itself as *primus inter pares*. ASEAN is conceived in turn as 'a first form of co-operation through which Indonesia will extend its net of co-operation' to incorporate a second trilateral set of relationships involving Japan and Australia. Such a projected arrangement has been described as 'the Asia–Pacific Triangle' by General Ali Moertopo, who has asserted that 'viewed from the sides both of Japan and of Australia, Indonesia serves as the nexus [*sic*] of the Asia-Pacific region . . .'[8] Indonesia's regional outlook thus incorporates a view of the country as the fulcrum of a discrete set of relationships and also as the interlocutor between that set and wider trilateral relationships with Japan and Australia which possess in a number of respects more substantive content than those within ASEAN per se.

Although Indonesia has hopes of widening the membership of ASEAN in part to dilute its somewhat aligned character, she appears determined to preserve the multilateral point of the so-called Asia Pacific Triangle as a distinct entity within her patrimonial purview. One should note, for example, the cool response in Jakarta to the proposal of Mr Gough Whitlam, the Australian Prime Minister, in February 1973 for an Asia-wide regional organization within which ASEAN could be subsumed as 'a sub-regional grouping'. ASEAN is important for Indonesia in that it is contemplated as the most appropriate instrument with which to expunge the legacy of confrontation and also with which a willing acceptance of Indonesia's political primacy in South-East Asia might be promoted among both regional and extra-regional states, i.e. as a means for staking out the bounds of her political influence. It is per-

[8] Ali Moertopo, *Indonesia in Regional and International Cooperation: Principles of Implementation and Construction* (Jakarta: 1973), pp. 18–19.

ceived also as the instrument through which Indonesia and her c
operating neighbours may provide, in time, for a system of regio
security without dependence on the instrusive presence of extra-regio
powers. Indonesian ambition for ASEAN was indicated by Adam Ma
in his claim that it expressed 'the growing determination of the natio
of this region to take charge of their own future, to work out problems
their development, stability, and security together. It signifies the r
jection by those countries of the assumption that the fate of South-E
Asia is going to be determined by outside powers.'[4]

The theory and the practice of ASEAN as a regional organization a
recognized reluctantly in Jakarta as distinct and divergent. Indeed, the
is an evident consciousness of the continuing difficulty in promoting
sense of common interest among the members of the Association wh
approaches to regional security conflict and who, for example, ha
agreed only recently on the establishment of a permanent secretariat
be sited in Jakarta. In the absence of genuine common policies as distin
from a useful habit of consultation, Indonesia has been obliged to t
and concentrate common attention on what President Suharto ca
'national resilience': a sense of self-reliance expressed in econom
development and political stability which, aggregated into 'regio
resilience', is expected hopefully to contain intra-regional tensions a
the prospect of extra-regional intervention.

Despite Indonesian emphasis on the institutional promise of ASEA
as a multilateral body, within the Association certain bilateral relatio
take priority. Up to recently the closest bilateral relationship has be
with Malaysia, with whom effective co-operation has taken place
security matters in Northern Borneo. Indonesia values this relations
also because of Malaysia's willingness to take a joint stand on the cont
of the Straits of Malacca (and related issues) which is of great lo
term importance to Jakarta. However, of late there has been a shift
emphasis in bilateral relationships, with a growing working associati
with Singapore despite the ambivalence in Indonesian outlook arisi
from Singapore's conspicuous Chinese identity and her role as the r
gional locus of overseas Chinese economic activity. The appar
accommodation of Indonesia and Singapore to one another, resting
the anti-Communism of Lee Kuan-yew and Suharto, and comm
positions on relations with Peking and on the Malaysian conception
neutralization, with its stress on great-power guarantees, has led to
lessening in the enthusiasm of the Malaysian Foreign Ministry for t
Indonesian connection. This modification of Malaysian outlook ari
also from a growing realization of the basic inequality of the relations
across the Straits of Malacca.

Elsewhere within ASEAN bilateral ties are less substantive. There h

[4] Malik, *op. cit.*, p. 29.

been some limited security co-operation with the Philippines and also a common view on the territorial competence of archipelago states. However, Muslim rebellion in the South of the Philippines has been a source of some tension bilaterally and within ASEAN, while in Manila the Association is regarded with limited enthusiasm as a vehicle for President Marcos' more immediate practical needs, except to underpin a recurrent element of hyperbole in Philippine foreign policy. In Thailand too, ASEAN has less than immediate relevance to the fundamental security problem of managing future relationships with China and North Vietnam, pointed up by the uncertainty and increasing domestic liability of reliance upon American countervailing power.

The two most peripheral members of ASEAN do not possess quite the same central view of South-East Asia as that which emanates from Jakarta. And ASEAN, as a body which combines common weakness rather than common strength, cannot project power meaningfully to regional sectors in countervailing manner. However, if it could, especially as an effective instrument of Indonesian purpose, then both the Philippines and Thailand might have a different basis for their current reserve towards the Association. In the meantime, in so far as Thai and Filipino diffidence indicates the prospects for ASEAN as an even larger entity (e.g. to include, say, Burma, which up to now has not indicated any great enthusiasm for membership) and as a viable regional concert, then one would expect to observe a growing frustration in Jakarta.

General Ali Moertopo's Asia-Pacific Triangle remains an even more elusive aspiration and has yet to take on limited institutional form. The idea has not produced a positive response from either Japan or Australia. While Australia has indicated a willingness to engage in limited economic co-operation with ASEAN as such, there has been no sign that Japan is in any way keen to channel her economic activity through the Association. The intended purpose of this so-called Triangle is that it should be a mechanism both for protecting the patrimonial political claims of Indonesia within South-East Asia and for combination against China in a way which will ensure access to external resources for development. The relationship with Japan, however, is based on practical and mutual advantage and not on any sense of shared regional vision. The Indonesian Government is prepared to shoulder the risks of neo-colonial penetration in the interests of economic development while Japan enjoys economic access and encourages political stability to this end. Of late, the relationship has been affected by two new factors. First of all, Indonesia has become a beneficiary of the rise in world oil prices and of Japan's acute dependence on external sources of energy supply. For example, Indonesia's crude oil exports—which provide around 16 per cent of Japan's annual needs—are expected to bring in approximately US$4,000 m. in 1974, compared to US$1,500 m. in 1973, while a

trading surplus of about US$1,000 m. for 1973 in Indonesia's favo
should increase to reflect the changing balance of economic advanta
between the two countries. Also, Japanese financial assistance for
exploitation in May 1972 has been matched in January 1974 by the pr
vision of capital funds for the exploitation of liquefied gas, which
expected to be shipped to Japan from 1977. Secondly, the riots during t
visit to Jakarta in January 1974 of Japan's Prime Minister, Kaku
Tanaka—in essence an expression of domestic political challenge to t
nature of military rule and to the priorities of economic developme
policy—should encourage the Suharto Government to manage t
economic relationship with Japan in such a way that development ha
less exclusive character. The riots have not led to any effective challen
to continued economic association between Indonesia and Japan. Ho
ever, the shift in the balance of economic advantage between the tw
states does provide the Indonesian Government with an opportunity
insist that Japanese economic penetration bears a more direct relatio
ship to the proclaimed social priorities which distinguish the seco
Indonesian Development Plan from the first. Basically, the Indonesi
Government appears to believe that it can contain the economic aggre
siveness of Japan within a framework of equity and interdependen
There is a clear danger, however, that shared interests may come to
dominated by exclusive patron-client relationships which serve t
perpetuation of exclusive military rule above all else.

The third point of the projected triangle, Australia, is in a very differe
relationship to that of Japan, in that she was never a source of milita
threat and is not a source of excessive economic penetration. A practic
working relationship has distinguished the association between Ind
nesia and Australia, which has not been disturbed by the political style
Mr Whitlam or the reservations held about the Suharto Governme
within the Australian Labour Party. In effect, the wider regional visio
of Jakarta and Canberra have not dovetailed neatly. None the less, t
bilateral relationship is sound, although from the Australian point
view the prospect of dealing with what might possibly become a stro
Indonesia is somewhat daunting. Australia officially looks with ben
volence on stable government in Jakarta and its pursuit of modera
foreign policies governed by developmental priorities. The Australi
Government contributes both civil assistance (approximately A$17
in 1973–4) and defence aid (approximately A$5 m.), which includes t
provision of a squadron of Sabre jet fighters, a few aircraft for mariti
surveillance, and also coastal patrol vessels. Defence aid is designed
facilitate a sense of partnership and to assist political control rather th
to augment the military capability of Indonesia. Signs of a good worki
bilateral relationship are the agreements reached to establish a bounda
demarcating a common continental shelf in 1971 and in 1972. In additio

there is a sense of understanding that the two countries will not become embroiled in any conflict arising from the possible repercussions of the full independence of Papua-New Guinea. So far, however, there has not been any attempt to provide an institutional forum for resolving any such matters. For example, nothing has yet come of the suggestion made by New Zealand's late Prime Minister, Mr Norman Kirk, and approved in Jakarta, that Indonesia, Australia, New Zealand, and independent Papua-New Guinea should form a new sub-regional grouping.

Indonesia has no fundamental conflicts of interest with neighbours which disturb current relationships. For example, despite Singapore's opposition to Indonesia's view of the status of the Straits of Malacca or her willingness to provide repair facilities for Soviet naval tenders, a working accommodation has been reached involving intelligence communities and economic interests. This accommodation was sanctified ritually by the act of expiation made by Lee Kuan-yew during his visit to Jakarta in May 1973, when he scattered flower petals on the graves of the two Indonesian marines executed in Singapore in October 1968 for crimes committed under the aegis of confrontation. Japan, for her part has not proved obdurate over oil-tanker passage through the Straits of Malacca but has agreed to use the Lombok route and to assist in the development of the port of Cilacap. Australia's decision to withdraw the bulk of her ground force contribution to the Anzuk contingent in Singapore matches longer-term Indonesian interest and is not a source of concern or tension. Of Indonesia's more distant regional neighbours, the one that is regarded with greatest apprehension next to China is North Vietnam, perceived as a likely source of regional disruption and as a regional rival. However, Indonesia is not in any position to act to exclude Vietnamese Communist influence from what is regarded as the soft underbelly of Indochina.

The question of capability, pointed up by Indonesia's ineffectual attempt to influence events in Cambodia through diplomatic endeavour in May 1970, is still central to any realistic evaluation of her regional vision. The Asia-Pacific Triangle concept has yet to materialize in the absence of attractive nexus, while within ASEAN, which rarely speaks with one voice, some bilateral relationships are undoubtedly more equal than others. And there is no sign, for example, of Indonesia as the only significant oil producer of the Association being willing to sacrifice immediate economic advantage by promoting an ASEAN energy policy. Indeed, Indonesia's management of bilateral relationships appears to provide a more viable means of promoting common interests than a regional vision predicated on her central role. The politics of vision have been much less fruitful than the art of the possible.

Africa's changing relationship with the EEC

NICHOLAS HUTTON

Although the present state of negotiations between the Community and the ACP states points to a speedy conclusion of an agreement, recent economic trends indicate that Africa's growing trade diversification could result in a looser relationship with the EEC in the years ahead.

SINCE October 1973, negotiations have been in progress between t' enlarged European Economic Community and forty-four countries Africa, the Caribbean, and the Pacific and Indian Oceans[1] for the renew of the Yaoundé Convention which expires on 31 January 1975. Tl Convention links 19 African states, Madagascar, and Mauritius (AAS) to the EEC through a system of preferential trade, establishment pr visions, financial aid, and joint institutions.[2]

Since the Commonwealth ACP states accepted the EEC's offer to n gotiate alongside the AASM, indications are that a modified Yaoun regime will govern the economic relations between the ACP states a the EEC for the length of the new agreement which is likely to be fo five-year period.

The current negotiations are characterized by a much more eq economic bargaining power between the EEC and the forty-four A(countries—amongst which the African states constitute the most impo ant grouping—than was the case in the two previous sets of Yaoundé n gotiations. This greater equality in bargaining power between a group developing and developed countries may be attributed to three outstan ing factors. First, not only is the composition in numbers of the A(group much larger than previously, but the negotiations are guided the economically most influential African state, Nigeria, which has co sistently shown itself intent upon extracting maximum trade and a concessions from the EEC. Second, the negotiations are taking pla under the umbrella of the Organization of African Unity (OAU), whe as the former Yaoundé negotiations were characterized by lack of un and sense of direction on the part of many African states within pur

[1] Abbreviated as ACP states.

[2] For an analysis of this Convention, see Kenneth J. Twitchett, 'Yaour association and the enlarged European Community', *The World Today*, Febru 1974.

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gional organizations, such as the former Afro-Malagasy union, UAM, id its successor, OCAM. Third, there have been the recent crises in iergy supplies and shortages of raw materials which have tended to ihance the economic bargaining power of much of the developing world s-à-vis the developed.

The ACP states constructed their unity effectively within the forum the OAU prior to the opening of negotiations with the EEC last October. This effort was initiated at a ministerial conference of the UN :onomic Commission for Africa at Accra in February 1973, which reiited the nineteen Yaoundé associates and the twelve Commonwealth African associables with the aim of establishing a 'common approach' towards association; it was at this meeting that the then Secretary-General of the OAU, Nzo Ekangaki, advocated that negotiations with the EEC be conducted on the basis of a single African bloc. Similarly, it was then that the Francophone associates and the Commonwealth associables decided to negotiate together their future trade and aid relations with the EEC. For the first time, it emerged that many African states even viewed negotiations with the EEC as a convenient means of promoting integration between Francophone and Anglophone states in Africa, which were divided rigidly along linguistic, cultural, and economic lines during and after the colonial era.

Later, at the OAU heads-of-state meeting at Addis Ababa in May 1973, eight 'principles' were evolved which would serve to guide the Africans' position during the negotiations. These principles were: first, non-reciprocity for trade and tariff concessions given by the EEC; second, extension on a non-discriminatory basis towards third countries of 'rights of establishment' provisions; third, revision of rules of origin to facilitate the industrial development of Africa; fourth, revision of provisions concerning the movement of payments and capital to take account of the objective of monetary independence in African countries; fifth, the dissociation of EEC financial and technical aid from any particular form of relationship with the EEC; sixth, free and guaranteed access to EEC markets for all African products, including processed and semi-processed agricultural products, whether subject to the EEC's Common Agricultural Policy or not; seventh, the guaranteeing to African countries of stable, equitable, and remunerative prices in EEC markets for their main products; and eighth, the stipulation that any agreement with the EEC should not adversely affect intra-African co-operation. These eight principles are likely to remain the cornerstone of the ACP states' negotiating position with the EEC.

Possible impact on African trade

It is reasonable to expect that while exports of raw materials will continue for some time to be the main feature in African-EEC trade, a time

will come when the associates (at least the more developed associa such as Ivory Coast and Zaïre) will be in a position to offer manufactu consumer goods which are currently being supplied by the EEC. Tl will, of course, depend on the extent to which positive action is taken transform the present patterns of production. At this point, there will b trade creation favouring African countries, which will result from th restructuring of domestic production and the adaptation of science an technology to African conditions. Over a relatively short period, the expansion of commodity production and extractive industries may, however, increase employment opportunities and a country would therefore generate limited income through the multiplier effect. As development gathers momentum, the EEC may find it more profitable to establish larger-scale enterprises which span over more than one associated state, thereby increasing the prospects for more rapid industrialization in countries, or groups of countries, in which investments operate. Moreover, if the associates can insist on infrastructural projects being programmed in conjunction with adjoining countries (including non-associates), this would provide the means for reinforcing intra-African trade and financial relations, advocated both by the OAU and the UN Economic Commission for Africa.

Viewed negatively, however, it is possible to envisage situations in which countries, particularly the least developed, are unable to take effective measures to restructure domestic production and to reorient their development policies. If that happens, the association would merely result in the maintenance of existing trade links and would not push the pace of development in the associates to a stage where their economies 'take off' to self-sustained growth. In the short term, the association would merely open up their markets to EEC goods which are produced more cheaply. Even if new industries are established, the associates may experience difficulty in surviving the competition from technologically more advanced European enterprises. The African states could therefore fail to industrialize and this would perpetuate the existing complementarity between the AASM and the EEC, in which the former export raw materials and other primary commodities in exchange for manufactured consumer, intermediate, and industrial products.

Pattern of Africa's external trade

In order to appreciate the current significance of the trade relationship between Africa and the EEC, it is worth analysing some statistics. In 1970, about 47 per cent of developing Africa's total exports went to the six members of the EEC. When Britain is included, the share rises to nearly 60 per cent. During the same year, about 36 per cent of Africa's imports came from the six EEC countries, and this rises to nearly 50 per cent when Britain is included.

large percentage of raw materials required by European industries mported from Africa. These include minerals, such as zinc, copper, n ore, uranium, bauxite, and aluminium; tropical agricultural pro-:ts, including coffee, cocoa, cotton, groundnuts, and palm kernels; de oils from oilseeds and crude petroleum. The EEC is therefore largely dependent on Africa to maintain its present and future levels of industrial development and economic activity.[1] At the same time, it remains the largest market for African exports. For the AASM, the EEC accounted for a high percentage of total exports in 1970 (e.g. Cameroon 71 per cent; Chad 74·8 per cent; Mauritania 84·4 per cent; and Togo 87·7 per cent). Following this group of countries (60 to 70 per cent) were Congo, Dahomey, Ivory Coast, Mauritius, Niger, and Senegal, with Zaire and Mali having more diversified trade patterns. On the imports side, Cameroon, Central African Republic, Congo, Gabon, Ivory Coast, and Madagascar obtained over 70 per cent of their imports from the EEC.

For Commonwealth African states, the pattern is similar in that the enlarged EEC is the main outlet for their exports, although their trade is more diversified than that of the AASM. Their dependence on the EEC s generally lower, with the exception of a few countries, such as Gambia (93·5 per cent) and Sierra Leone (83 per cent). Imports are more diversified than exports; only Nigeria had as much as 58·6 per cent of her total mports from the EEC in 1970. Zambia and Malawi were least dependent on the EEC for their imports.

A notable feature of Africa's external trade during the past decade has been the trend towards diversification of export outlets. For instance, he share of the United States in the total trade of some of the AASM ncreased steadily between 1960 and 1970, with Cameroon's exports to he US rising from 6·3 per cent to 9·7 per cent of her total exports during his period; the corresponding figures for imports were 4 per cent and ··7 per cent respectively. Significant increases in exports were also notable for Zaïre, Gabon, and Niger. For five of the AASM (Dahomey, vory Coast, Madagascar, Mauritania, and Zaïre) the United States onstitutes a relatively important market.

Most Commonwealth African countries increased their trade with the US between 1960 and 1970, with the largest growth registered by Ghana, Uganda, and Nigeria. The share of trade with the US in relation to total rade was highest in Ghana, Sierra Leone, Uganda, and, to a lesser extent, Nigeria. For these Commonwealth countries, therefore, the US represents a rapidly expanding market.

African countries outside the Commonwealth and the AASM are much more dependent on the US market. For instance, 38·1 per cent of thiopia's exports went to the United States in 1970, and the correspond-

[1] This section forms part of a larger study which the present author is undertaking on Africa's external trade relations.

ing figures for Liberia and Guinea were 52·8 per cent and 16 per cen
respectively. The share of US imports in non-Commonwealth Africar
countries is also high (e.g. Libya 13·8 per cent; Tunisia 16·9 per cent
Guinea 13·2 per cent; Liberia 31 per cent). In general, the US has
growing role to play in Africa's external trade which implies that, unles
the EEC offers better commercial terms than can be obtained elsewhere
the association may become relatively less attractive in so far as trade i
concerned.

Major markets outside the EEC and the US include Japan, China, an
Eastern European countries (including the Soviet Union). Most of th
AASM, having preferential relations with the EEC, had little trade inter
action with Eastern Europe, Japan, or China during the 1960s; but fo
some countries, trade with these blocs grew considerably, especiall
during the latter part of the 1960s. In 1970, Upper Volta, Zaïre, Togo
Somalia, Mali, Central African Republic, and Cameroon had sizabl
exports to Japan, while China's main African trading partners in 197
among the AASM included Mali, Upper Volta, Mauritania, and Niger
For Eastern European countries, Somalia, Togo, Mali, Dahomey, an
Cameroon were the main traders among the AASM.

For most Commonwealth African countries, Japan is a significan
trading partner. In particular, Ghana, Sierra Leone, Kenya, Uganda
and Zambia depend on Japan as an important outlet for their primar
commodities as well as the supply of consumer and durable good
especially motor vehicles, photographic, and electronic goods. China i
an important trading partner for Ghana, Zambia, and Tanzania, and th
Eastern European countries became notable traders for a group of thes
countries over the last decade, with Nigeria, Gambia, Ghana, and Keny
importing a sizable share of their total imports from Eastern Europe.

Problem areas in the negotiations

In the current negotiations for the renewal of the Yaoundé Conventio
the ACP states' demands on trade questions have centred around th
following main tenets: first, complete free access to the European mark
for all products, especially tropical primary products, whether subject
the CAP or not, and abolition of non-tariff barriers and other measur
having equivalent effect; second, guaranteed access at stable and re
munerative prices so as to ensure a steady increase of ACP exports to th
EEC; and third, more favourable preference margins in comparison wi
third countries, especially for processed goods. In other words, the AC
states are seeking more favourable treatment than other developi
countries benefiting from the EEC's Generalised System of Preference

For competing agricultural products, the EEC is unlikely to accept
scheme which would undermine the CAP and will almost certainly n
offer more favourable treatment to the ACP states than that granted

loping third countries. The ACP countries have been demanding ›lete free access as a matter of 'principle' which, they feel, should be led in an overall manner. The EEC, on the other hand, advocated a uct-by-product approach, which underlined the fact that the in-ty of the CAP may not be jeopardized. The ACP states have been tant to accept the product-by-product approach, in order to avoid isk of individual states scrambling for marginal advantages on par-ır products. Indeed, such a scramble for marginal advantage was a re in previous African-EEC trade negotiations, weakening an already ırious African bargaining position.

economic terms, free access to the EEC market for competing agri-ral produce represents, excluding sugar, current exports to the EEC ne $567 m., corresponding to 12·2 per cent of total ACP sales in the , and these are of considerable social and economic significance for nber of ACP countries. The main products are citrus fruits, tobacco, and a number of out-of-season fruits and vegetables.

ıe formulation of a mutually satisfactory scheme for competing ultural produce has proved difficult mainly because of disagreement ıg the EEC member states. Producing countries within the EEC, ıpally France and Italy, and for a number of products Belgium and ;etherlands, are concerned about the potential competition of Afri-ıroduction. Britain, on the other hand, appears more conciliatory, she grants customs-free entry to agricultural products from African ıonwealth countries as well as, in some cases, from Caribbean and c states. The introduction of a less favourable Community scheme l involve the partial reintroduction of certain tariffs which may be ılt to accept. However, there is a possibility that any new restrictions ı could be imposed on their sales in the British market would be ensated for by improved access to the markets of other Community ries. The most important competing tropical commodity in dispute :en certain EEC members and between the Community as a whole ertain developing countries is sugar. In terms of current trade flows, is by far the most important single commodity, with imports from ıates and associables to the enlarged EEC currently totalling some m.[4] A policy to replace the Commonwealth Sugar Agreement forms :ial part of the present negotiations, with Commonwealth associables nding access to the EEC for 1·4 m. tons of raw sugar at stable and ıerative prices. Britain, in any case, remains firmly committed to fer of access on 'fair terms' for at least 1·4 m. tons from Common-h developing countries after the CSA expires on 31 December 1974.[5] rules of origin, the ACP states want more flexibility in the treatment

sociable exporters are: Barbados, Fiji, Guyana, Jamaica, Swaziland, and lad. Associated exporters are: Mauritius, Madagascar, and Congo.
e Mr Callaghan's speech to the EEC Council of Ministers, Luxembourg, : 1974.

of unprocessed products (especially fishing products). For processed a semi-processed commodities, these countries want to substitute t criterion of 'added value' for 'sufficient transformation'. More signi cantly, on cumulative origin, the ACP want non-original products pass for 'original' once they have undergone successive processing in o or several associates. Similarly, they feel that account should be taken the added value at various stages of manufacture, and not only the add value after the final stage of processing. The basic bone of contention h been the extent to which the EEC would go in adopting proposals aim at giving the ACP countries at least a comparative advantage over thi countries. The main stumbling blocks to defining an acceptable definiti of 'origin' concern certain textile products from Asian countries, su sequently printed in ACP states; a number of fishing products tinned caught by Canary Island fisheries and then transported to Mauritania f re-export; and exports from three countries having a financial and cu toms union with South Africa (Lesotho, Botswana, and Swaziland). satisfactory settlement of rules of origin is important, since they determi which products may be included within the preferential trading schen

On the crucial issue of reciprocity, divergences among the EEC mei ber states remain. Basically, these involve two different attitudes towar the question. On the one hand, France supports the Commission's pı posal according to which the associates would maintain or progressiv establish customs exemptions for certain EEC products, in order underline the free trade area concept of association in conformity w GATT rules. The British, on the other hand, are opposed to the recipı city principle and consider that granting customs exemptions to EEC pı ducts would result in reverse preferences, since it is improbable that ı associates would in fact extend customs exemptions on a global ba: Moreover, reverse preferences were rejected by all ACP states at ı preparatory meeting in Brussels on 25/26 July 1973.

As regards aid commitments for the next convention, disagreem exists among EEC member states on assistance to non-associated cou tries. This is directly connected with Britain's position in favour of tending the geographical scope of Community development action. M Hart, Minister for Overseas Development, stressed the immense ne of the non-associated developing countries such as India, Banglade and Pakistan, and advocated that half the EEC's aid effort should concentrated on the associates and half on non-associates.[8] This 'glol orientation of EEC aid policy is favoured by other member states, pecially Germany and the Netherlands, but both the Commission ar France, in particular, stress that the association policy must retain central role.

Although the European Development Fund (EDF) was substantia

[8] Speech to the EEC Council of Ministers, Luxembourg, 30 April 1974.

ased between the first and second Yaoundé Conventions, the eco-
ically less prosperous countries received less EDF assistance than
icher ones. For instance, five of the nineteen AASM (Cameroon,
y Coast, Madagascar, Senegal, and Zaïre) together account for nearly
er cent of total allocations. The least developed among the AASM
cially Burundi, Central African Republic, Somalia, Rwanda, Togo,
Mauritania) together received only about 20 per cent of EDF aid.
indicates that EDF policy has not given sufficient attention to the
lems of the least developed and landlocked states, and a correction of
imbalance should be given top priority during the negotiations.
1 the programming of EDF aid, the ACP states and the EEC have
d that aid should be integrated into the recipient's overall develop-
plans and be based on their own proposals. Aid will be programmed
beginning of the period covered by the future convention so that
country will know the amount of aid it can expect to receive. The
states and the EEC have also agreed to co-operate closely in the ad-
stration and management of aid at every stage. In particular, financ-
roposals submitted to the Commission will be drawn up in collabora-
with the appropriate EEC departments and with the governments
rned; execution of projects will rest with the national and regional
s of the recipient state, and not with the EEC. Although the amount
)F aid for the forty-four states has not yet been finalized, it is likely
ierge somewhere between 2,500 m. and 3,500 m. units of account
five years,[7] which indicates that, at an average of between 11 m. and
units of account per state per annum, the aid may have to be spread
thinly.

iilst the ministerial conference between the ACP states and the EEC,
at Kingston, Jamaica, at the end of July produced limited results on
chnical level, it provided a fresh political impetus to the negotia-
The most significant concession for the ACP group was an under-
g by the Community that it would guarantee financially their earn-
n exports to the EEC for a number of primary products in addition
nufactured and semi-manufactured goods. The EEC also expressed
igness to foster industrial co-operation with the ACP group through
ventures and the granting of soft loans to promote ACP industrial-
n. Due to British pressure, the Community has now offered to share
ommitment given unilaterally by Britain during the enlargement
iations that Commonwealth producers would continue to have
s to the EEC for 1·4 m. tons of sugar annually. But most European
ries want to protect their domestic beet sugar production and feel
resent shortages and high sugar prices preclude the need for such
rantee. Moreover, the ACP states are insisting on the application of
sed price of over $660 a ton (the current free market price), which

u.a. = pre-1971 US dollar at $2.40=£1.

is significantly higher than the negotiated price of about $225 a ton] *viously paid by Britain.*[8]

UN emergency aid and the Cheysson Plan

In a sense, discussion of the amount of the new EDF has been ov shadowed by the concern of the United Nations to set up an emergen aid fund for those countries hardest hit by the oil crisis and the rise costs of raw materials. The World Bank recently estimated that forty de veloping countries need an extra $6,000 m. in 1974 to pay for the san level of oil imports as in 1973, only a third of which they will be able cover by drawing on their official reserves or using Special Drawi Rights through the IMF. The World Bank also estimates that developi countries as a whole spent some $5,200 m. on oil imports in 1973 and w need $14,900 m. for the same volume of oil imports this year. Indeed, oil prices remain at present levels, the current account deficits of t developing countries, excluding the oil-producing states, could rea well over $20,000 m., roughly double the annual deficit of rece years.[9]

Compounding the difficulties that many poorer states face in meeti their oil import bills are the probable increases in their import bill f basic foods. For instance, the IMF estimates that food grain imports in non-oil exporting developing countries could reach $9,000 m. in 19 This represents a 20 per cent increase over 1973, and is three tim greater than in 1972 when the grain import bill amounted to $2,800 Despite their predominantly agricultural character, many developi countries (excluding oil producers) have, over the past two decad moved from a position of approximate self-sufficiency in grains to one considerable dependence, particularly on North America. The increasi food import bill for developing countries is absorbing a larger share export earnings and will significantly offset the gains made from t recent commodity boom.

In addition to food shortages, a deficiency in the supply of chemi fertilizer threatens the output of agricultural products in develop countries. Their imports of fertilizer represent about 40 per cent of wo trade in fertilizers, and their fertilizer import bill rose from $550 m. 1970 to about $1,000 m. in 1973.

It is against this background that the sixth Special Session of the U General Assembly (9 April-2 May) on raw materials and developm was convened by President Boumedienne of Algeria with the aim creating special emergency relief measures for the forty or so 'hardest h These are the poorest non-oil exporting developing countries needing

[8] *The Times*, 27 July 1974.
[9] See Melvyn Westlake, 'Massive rescue operation to save Third World eco mies', *The Times*, 12 June 1974.

mated extra $5,000 m.–8,000 m. to meet increased costs of food, tilizer, and oil in 1974 alone.[10]

During the conference, a new division became apparent among the oup of developing nations known as the Third World—between those ith sufficient natural resources to avert disaster, and those developing ıtions with few resources. Thus, the new prospect of the emergence of ı impoverished 'Fourth World' group further complicates the search for common approach towards the developing nations. The oil-producing ates held out little for the poorer countries; Iraq, Saudi Arabia, and .uwait made speeches to justify the big increases in oil prices, and alıough they conceded that oil producers had some obligation to assist ıe least developed states, they virtually ignored the earlier Iranian proosal for a special £3,000 m. aid fund, stressing that it was up to the ıdustrialized nations to increase their aid.[11]

The EEC announced on 2 May that it would make a contribution of ,500 m. in 1974 to the emergency measures, provided other countries ɔin in the effort. This fund, if implemented, would begin operations by January 1975. The significance of the so-called 'Cheysson Plan' is that he EEC has offered to contribute a substantial proportion ($500 m. of probable total of $3,000 m.) towards a fund which will be operated by he United Nations system in favour of both associated and non-associ-.ted countries of the developing world. This could mark an important ıdvance, albeit a gradual one, on the road towards a more open EEC levelopment policy, benefiting not only the poorest states of Africa but ılso those of Asia and Latin America.

[10] For a fuller discussion, see Vanya Walker-Leigh, 'UN Focus on Raw Materials', *The World Today*, June 1974.
[11] *West Africa*, 6 May 1974.

Grenada: maxi-crisis for mini-state

TONY THORNDIKE

This article examines the colonial heritage and the teething troubles of the new Caribbean state which has just taken its seat in the United Nations.

On 7 February 1974, after 191 years of continuous constitutional link with Britain, the 'spice island' of Grenada became independent. Althoug not the smallest of what are becoming known as 'mini-states', it is smal by any standard, with a land area of 133 sq. miles (including the Grena-dines), a population of approximately 115,000, and an army of 102 men. But whatever the prima facie problems of mini-states, Grenada has con-siderable difficulties. To the outside world, these were marked by pro-longed strikes which paralysed the crucial cocoa and nutmeg export trade and cut essential food and fuel imports, by demonstrations led by the radical New Jewel Movement, and also by the activities of the semi-secret force of 'police aides', the so-called 'Mongoose Men', serving the interests of the Prime Minister, Mr Eric Gairy, who, firmly in the pattern of Caribbean small island personalized politics, has dominated the Grenadian political scene for the last twenty-four years.

The essential problem is familiar to the ex-British Caribbean, once named the 'slums of Empire' by Lloyd George[1]: that of a crisis of identity both internally and externally. Internally, it is characterized by a high degree of social pluralism where a structure based on colour and class stratification has led to a noticeable lack of social solidarity. This crucia factor of social crisis, latent until 1950, provides, above all, the basic background to the recurrent situation of political confrontation charac-teristic of Grenada. Externally, it is marked by the recent history of th island which, in common with its neighbours in the Eastern Caribbea reflects a deep sense of insularity and strongly entrenched vertic economic links between the islands and the overseas metropolitan ma kets. Added to this, there were prolonged Colonial Office indifferenc numerous false starts in the quest for nationhood through vario federations, and the search for an acceptable political solution to t

[1] E. Williams, *From Columbus to Castro: The History of the Caribbean, 149 1969* (London: Andre Deutsch, 1970), p. 443.

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roblems of smallness and strong dependence upon foreign markets for igh-cost tropical agricultural exports.

The internal crisis of identity has its roots in slavery, resulting in a eavy emphasis on subtle colour gradations determining social status and ccupations. Put simply, the class structure of the Commonwealth 'aribbean as a whole consists of a small 'white' upper class, a mostly nulatto (brown) middle class, and a predominantly dark or black working lass. Although the correlation between colour and status is not so ntrenched as before—particularly in the public services and professions - the concept of 'associational colour' is still pervasive: as the Caribbean roverb says, 'Every rich negro is a mulatto, every poor mulatto a negro'. n the important commercial sphere, however, management of business rms remains dominated by the mulatto minority, accentuated by the nportance of the family firm in the economic life of the country. The vents of early 1974 show the relevance of this in Grenada, since the pronged business shutdown was a crucial weapon in the anti-Gairy and nti-independence campaign, which was countered by looting by the olice aides'. The political and social fragmentation is further exacerated by the disturbing gap between the urban educated classes and the dustrial workers (centred on St George's, the capital) and the rural mmunities which comprise 80 per cent of the population.

The stage for the forcible expression of the social crisis in political rms was set with Gairy's return to Grenada from the Dutch Aruba oilelds in 1949 and his formation the following year of the successful renada Manual and Mental Workers Union and the associated renada United Labour Party (GULP). Universal suffrage was introiced with the abandonment of the literacy test in 1950, and in the 1951 ections (held under a new constitution) GULP obtained a majority in e Legislative Council with 6 out of the 8 elected members. Since en, the assertion of the hitherto latent power of the rural working asses against the middle-class conservatives of the towns has been the minant Grenadian political conflict. This phenomenon is common to l the Commonwealth Caribbean where, following the labour disturbices of 1935–8, unions and union leaders, each with their linked political irty, grew in power, many entering the political arena with remarkable ccess against the older middle-class 'Representational Associations'.

What makes the Grenadian situation more significant, however, is not much Gairy's intransigent nature as the blend of traditional peasant nservatism and a high degree of unionization and political mobilization nong the rural population. The semi-independent peasantry grew llowing the gradual demise of sugar as the major crop in the 1850s and e partial break-up of the estates. This, along with the adoption of the iare-rent' method by planters to cut costs (whereby parts of the tates were 'contracted out' to their workers who then grew increasingly

important crops such as cocoa and bananas in return for the free us[e of] land), has led to the establishment of 'agroproletarians', with the majo[rity] of farmers working simultaneously in both traditions of agricultu[re]; indeed, 41 per cent of all farmers work 1 acre or less, and another 46 [per] cent between 1 and 5 acres.[8]

From the outset, Gairy, the millionaire ex-sugar worker with his str[ong] rural support, has been a major factor in Grenadian politics, but mor[e as] an expression of the existing social and economic crisis than as a m[ajor] innovator. By his personal charisma and effective political approach, [his] colourful appeal and flamboyant life-style, his burning personal ambiti[on,] his use of the familiar identification of 'Uncle', and his noticeable lac[k of] political philosophy, Gairy is, in many ways, the archetype of the Ca[rib]bean politician of working-class origin; he is thus in the same categor[y as] leaders, past and present, as Joshua (St Vincent), Bradshaw (St Ki[tts],) Bird (Antigua), and Bustamante (Jamaica).

He inspired his followers with confidence and support for his a[nti-]colonialist and anti-bourgeois campaigns from 1950 onwards, the [two] being closely intertwined. Since his meteoric rise in 1950–1, he has suffered temporary setbacks; amongst these were his electoral failure in 1957 due to very poor party organization, his disenfranchisement in the same year for leading a steel band through an opponent's electoral meeting, and his forced removal from office as Chief Minister in 196[2] following a Colonial Office enquiry into alleged financial irregularities. But they have not prevented his continued political dominance which can be attributed to several factors, in addition to his charismatic quality: the social and economic crisis, the colonial situation in its social conte[xt] and the resultant political pattern, and the smallness of the politi[-] cal entity entailing the closeness of the individual to the political pro- cess.

As early as 1938–9, when the Moyne Commission toured the British Caribbean, the essentially negative nature of Crown Colony governmen[t] was recognized. As the Moyne Report of 1945 made clear, the result was colonial executive rule whereby, despite measures to consult 'responsible' public opinion, the Governor's reserve powers and the tradition o[f] authoritarianism led to constant quarrels with Legislative Council mem bers, whether elected or nominated. The end result was constant oppo sition, there being neither a practical alternative nor any real respons[i]bility allowed.[9] This, when viewed within the colonial situation as [a] whole—which in the Caribbean is particularly significant becau[se] slavery, the plantation system, and the imposition of European valu[es] have meant a lack of any indigenous culture—is important to any appr[oach]

[8] A. Singham, *The Hero and the Crowd in a Colonial Polity* (New Haven: Ya[le] University Press, 1968), p. 55.

[9] *West India Royal Commission Report*, Cmd 6607 (London: HMSO, Ju[ly] 1945), p. 57–8.

ıtion of the process of political socialization in Grenada. As Chief inister after 1961, the working-class Gairy found that, just as his iddle-class-orientated predecessors like T. A. Marryshow had expericed, any attempt at political advancement led to a policy of confrontan and attrition, the bureaucracy responding by withholding inforıtion and generally sabotaging attempts at change.[4] These conflicts uld have been attenuated—as they largely were on the other islands— a broad acceptance of the system and the values of the mulatto reaucratic elite, and of the Colonial Office gradualist thesis whereby ber and hardworking people would reap their due reward if they left phisticated financial and political matters in the hands of responsible perts. Gairy refused to do so and the clash was inevitable, the urban te actively responding by forming the Grenada National Party (GNP) · the 1957 elections, under the leadership of the highly respected rrister, Herbert Blaize.

The political crisis was deepened by the sheer lack of scale. As with the ighbouring islands in the Leeward and Windward groups, spatial iitation has made any differentiation between policy-making and policy xecution and administration impossible, and it is no wonder that the vil service is politically over-exposed. The British ideal of anonymity ecomes inapplicable when a small and closely knit bureaucracy[5] perates in a highly personalized 'village' atmosphere where political mpathies are virtual public knowledge. Added to this was the tradional British colonial heritage of an emphasis on administration and lministrative skills and the importance of the executive-controlled inancial Secretariat and financial procedures, particularly after the ritish grant-in-aid scheme, with all its attendant regulations was ctended to Grenada in 1958. Pressures on the bureaucracy by the policians were inevitable, and since the former had generally close links to ie urban elite, the struggle was widened, each group representing the indamental schism in Grenadian society and competing as major policyiakers. In recent years, the increased intrusion of the state into welfare ıd economic affairs generally has heightened this tension, which is centuated by smallness—for the smaller the unit, the likelier it is that essures of an increasingly centralized government will become tolerable.[6]

In Grenada, all these factors reached a head in the 1962 constitutional isis, with many of the unresolved contradictions reappearing in the 973–4 independence crisis. The former crisis centred on accusations gainst Gairy and his Government of financial irregularities and alleged quandermania' (particularly covering furniture and a baby grand piano

[4] A. Singham, *op. cit.*, pp. 213–16.
[5] *Report of the Tripartite Economic Survey of the Eastern Caribbean*, 1966 ondon: HMSO, 1967), p. 77.
[6] D. Lowenthal, *West Indian Societies* (London: OUP, 1972), p. viii.

at Mount Royal, the official Chief Minister's residence), the operation spurious car insurance companies, pressurization and 'terrorization' the civil service, and the use of the official Government newspaper as propaganda organ for Gairy and the GULP.[7] The official inquir initiated by the Jamaican-born Administrator, J. M. Lloyd, who had be the victim since 1960 of a strong personal campaign led by Gairy, rel on testimony by civil servants and businessmen and the constitution w predictably suspended, with the Administrator taking full control. T success of the educated urban elite in removing Gairy was consolidat in the September 1962 election, when he lost to Blaize and the GN However, the central issue in the election was the proposed union w Trinidad and Tobago, consequent on the break-up of the abortive We Indies Federation. Put simply, the elite and urban community strong favoured the union and many rural inhabitants supported them, attract by enhanced emigration prospects and by the considerable personal lin that already existed with Trinidad. Gairy was equivocal over the issu refusing to commit Grenada at that stage; after what he called the 'bog election' had passed, he predicted that Trinidad would withdraw h offer, which she did. It was not until mid-1967 that Gairy swept back power following the granting of Associated Statehood by Britain.[8] Wh he announced his intention of seeking independence after his victory the 1972 election where it was an issue, the urban elite and their su porters began to oppose autonomy just as they had in 1962, fearful bo of the economic consequences for a near-bankrupt Grenada, and of t political future, particularly with the strengthening by Gairy of su secret police gangs as the Voluntary Intelligence Unit Patrol and t Night Ambush Squad, which were used intermittently from 1970.

From early 1973 onwards, confrontation intensified as the oppositi gathered momentum. However, it did not crystallize around the st GNP of the business groups and middle classes. Instead, a group educated young professionals and radicals—a new element in Grenad politics—disillusioned with Gairy's 'out-dated' leadership and fearin right-wing dictatorship, formed the New Jewel Movement (NJM)[9] fr existing small pressure groups.[10] Standing for nationalism, self-help, a non-violence, it began to attract business and trade-union support, a

[7] *Report of the Commission of Inquiry into the Control of Public Expenditur Grenada during 1961 and Subsequently*, Cmnd. 1735 (London: HMSO, 19 pp. 12–21. However, the inquiry admitted that irregularities had been frequ before Gairy's regime and, indeed, had become normal practice.

[8] Following the example set by New Zealand vis-à-vis the Cook Island 1965, the constitutional and voluntary arrangements, as laid down in the W *Indies Act*, 1967, was that full internal self-government was granted, leaving defence and external affairs in British hands.

[9] 'Can Grenada go it alone?', *The Guardian*, 14 May 1973. 'Jewel' stands for 'Joint Endeavour for the Welfare, Education and Liberation' of the people.

[10] Particularly the 'Movement of the Assemblies of the People', organized overseas-educated and newly returned intellectuals.

lso elements of the banned Cribou Black Power movement which had een driven underground since 1970–1. The only factor making for unity this highly disparate group was anti-Gairyism. Knowing that they ould not offer any alternative government, Gairy remained firm. opulist scorn was poured on the 'intellectuals' and 'communists' by the ero of the rural classes to their delight, and the strenuous calls of the oung radicals for the abolition of the 'inappropriate' two-party system in vour of 'people's assemblies', modelled on the 'ujamaa' villages of anzania, went relatively unheeded.

Following an initial meeting in London in October 1972, the first of vo Constitutional Conferences opened in May 1973 at Lancaster House hen Gairy formally proposed independence with initial GNP support. owever, an electricity and docks strike was successfully organized in t George's, and, towards the end of the conference, Blaize, with the help a large petition, attempted to persuade the British Government not to ant independence on the grounds that Gairy was a 'bad risk'. It was evertheless agreed in principle (subject to Parliamentary approval), nce the British Government saw that the voluntary nature of the ssociation made consent inevitable and that, in any event, Britian would ive no right under the 1967 Act to intervene, then or subsequently, in hat was an internal affair. Further, and more important, however, Britain greed that the lengthy procedure for the termination of Associated Statehood, involving a referendum[11], should be by-passed in favour of a simple Order-in-Council;[12] when the Act was being drafted, this was seen only as an emergency reserve enabling Britain to disentangle herself from undefined but difficult situations, and when it was debated, it received virtually no mention in the House of Commons by Mrs Judith Hart, the then Minister of State for Commonwealth Affairs.[13] The two-thirds requirement in the referendum would probably have been impossible to attain, particularly as the by now several hundred strong 'police aides', including some most undesirable elements, officially named the 'Volunteers for the Protection of Human Rights', began to use heavy-handed methods, and the British Government did not wish to be further entangled in this controversy. Later, the second Conference in July 1973 was concerned with the working out of an acceptable Constitution.

By November 1973, the 'police aides', now popularly known as the 'Mongoose Men', and unflatteringly and with some exaggeration compared to the notorious Tontons Macoute of Haiti, were responsible for

[11] *West Indies Act*, 1967, s.10(1) and Schedule 2. [12] *ibid.*, s.10(2).

[13] H.C. Deb., 31 January 1967, col. 343. In the debate on the Grenada Termination of Association Order, 1973, the explanation given by Lord Balniel (Minister of State for Foreign and Commonwealth Affairs) of the method used was that the 1972 elections showed sufficient support within the country for independence and that the referendum method was rather to enable any Associated State to move to independence despite British opposition. (H.C.Deb. 11 December 1973; col. 334).

deepening the crisis when three NJM leaders were badly beaten u *them, and they were openly admitted by Gairy to be used* for 'cinderi *his opponents. The result was the formation of the* Committee of *loose and uneasy anti-Gairy association covering shopkeepers*, pri lawyers, and certain GNP members), renewed strikes and a busi shutdown, and a secessionist threat from Carriacou (population 7, 10 square miles) under the leadership of Cadeau Roberts and 'Carriacou Constituency Committee'. In addition, Senator Jones, dep leader of the GNP, organized a small unsuccessful mission to Lon (Blaize being ill in Jamaica), to persuade Britain to postpone indep dence, the British Parliament having approved independence in r December.[14] Faced with all this, Gairy agreed to a Commission of Inq into the assaults under Sir Herbert Duffus, a former Chief Justic Jamaica, and reluctantly undertook to disarm and disband the 'po aides'. By now, however, the intensely charged political atmosphere the imminence of independence had made any compromise ne impossible; in fact, tension grew when Gairy announced that the Duffu Inquiry would be suspended until after independence, and arbitrari dismissed the Grenadian-born woman Governor, Dame Hilda Bynoe for alleged 'insubordination'. The strikes intensified, embargoes on goods for Grenada were imposed by unions in Barbados, Trinidad, and Vene-zuela, and demonstrations in St George's organized. By the New Year opposition had further increased after a bitter clash which caused the firs death, that of Rupert Bishop, father of one of the NJM leaders assaulted the previous November, Maurice Bishop.[15] Gairy's swift response wa to order the 'Mongoose Men' to intensify their actions, and to pa draconian laws against striking shopkeepers. Convinced of his possessio of spiritual and mystical powers and his divinely inspired historical rol of leadership in Grenada, he went ahead with arrangements for t grandiose independence celebrations. The British Foreign Office, in tl meantime, prepared an evacuation plan, cancelled the visit of a min Royal personage (although Gairy was 'consulted'), and sent a sm frigate to St George's. By now civil war was being openly predict questions were being asked in Parliament, and the looting of shops v being systematically organized by the 'police aides'.

But the Opposition's inherent weakness began to show. Co-ordinati of the various factions was difficult, it becoming clearer that the issu the 'police aides' was of more importance to many than that of indep dence. Additionally, the chronic food and fuel shortages severely hit urban areas, the large peasant population being able largely to supp itself. Mediators from other islands, led by the Archbishop of Trinic

[14] H.C. Deb., 11 December 1973; cols. 331–61.

[15] Ironically, the two major leaders of the 'police aides' are cousins of Mau Bishop (Willie and Mostyn Bishop), a situation probably only possible in su small political community.

efly intervened and failed. The final blow came with the news of the tish decision to grant a £100,000 independence gift, being an advance the £2·25 m. aid programme due for 1974–7. Denounced by the position as British interference in Grenadian internal affairs, it was ant for developmental projects, but it was widely assumed that it uld be used for salary payments to civil servants since the Government easury was virtually empty. Demands for an election and an interim r-party government were quickly dismissed and, on the eve of independence, Maurice Bishop was arrested and illegal weapons and a plan to assinate Gairy were allegedly found at his house.[16] His release on £50 l on the first day of an independent Grenada was indicative of Gairy's nfidence.

Overall, events since independence have been quieter than predicted, much of the opposition collapsing in the carnival-time euphoria created by the independence celebrations. But there has been a small stream of refugees to Carriacou and Trinidad where, as in London, relief organizations were set up though with little effect. It is doubtful whether the anti-Gairy opposition can use Carriacou as a base for operations; the inhabitants have been GNP supporters less to support Blaize's policies than to oppose Grenada and GULP for its own sake, and to gain autonomy. In Grenada herself, the Duffus Report is still awaited, and the strikes are at last over. Internally, therefore, it may well be that, faced with the fait accompli of independence, the social pluralism and its most expressive manifestation since 1962 may lessen in the face of growing national consciousness which is a marked and growing feature of all the Caribbean islands.

The final achievement of independence, whatever its effect in helping to resolve the internal crisis of identity, has certainly solved the external dilemma of Grenada's position in the wider world community. From being a separately administered colony up to 1885, she became part of the loose Windward Islands Confederation until 1959 when she entered the West Indies Federation. Earlier attempts to create a closer association—as, for instance, following the Moyne Commission recommendation to unite both the Leeward and Windward groups[17]—met with strong resistance from these economically richer islands, including Grenada. On the other hand, suggestions of an association agreement with the United States[18] were discouraged by the British whose message from 1947 onwards was federation as a condition of any future independence. Accordingly, a Federation was formed but soon ran into difficulties. The large islands disagreed over the degree of federal power, whilst the small islands, including Grenada, feared large-island pressure and disliked

[16] *The Observer*, 10 February 1974.
[17] West India Royal Commission Report, *op. cit.*, p. 328.
[18] *Conference on the Closer Association of the British West Indian Colonies*, Colonial no. 218, Part II (London: HMSO, 1948), p. 75.

federal parsimony. With the restrictions on the movement of labour within the Federation still enforced, the primarily economic attraction of the offer by Eric Williams of unitary statehood with Trinidad following the eventual break-up of the Federation in 1961 was such that Grenada, one of the poor orphans of the experiment, did not join in the half-hearted discussions on a 'little Seven' Federation of the smaller islands, which itself failed upon the independence of Barbados. But the door to independent Trinidad was hardly open; faced with the twin problems of an upset to the delicate racial balance in Trinidad and the need to economically subsidize Grenada as outlined in the Economic Report commissioned by Trinidad,[19] negotiations ceased by 1966. Therefore Associated Statehood was the improvised answer of Britain, by now anxious to reduce her Caribbean interests. But the urge towards independence of ever-smaller communities, the increasing acceptance by the world of states of ever-decreasing size, and the denial of the notion that financial frailty is incompatible with political responsibility made independence inevitable.[20]

What of the future? Educationally, Grenada is better off than the other small islands, and her diverse agriculture is an economic advantage. She has links with her neighbours: she has been a member of Carifta and the Eastern Caribbean Common Market (ECCM) since their inception in 1968, but these bodies have made little impact and have been replaced by membership of the Caribbean Community (Caricom), the newly established Common Market between Commonwealth Caribbean islands. Grenada also hosted a meeting in July 1971 which agreed in principle to political unity among the Eastern Caribbean territories[21] but nothing came of it. On the domestic front, industrial development is stagnant, hampered by the diseconomies of scale associated with smallness. Population growth is high at over 3 per cent per annum and projections of employment and social investment are not encouraging.[22] Will a solution be to become another race of waiters as in Antigua, with all the social perils of mass tourism? Whatever the future, a closing of the ranks is essential, for, to quote a contemporary analyst, 'No state, not even an infant one, is willing to appear before the world as a bare political frame. Each would be clothed in a cultural garb symbolic of its aims and ideal being.'[23] The identity crisis of this particular mini-state has made such a comment particularly apposite.

[19] *Report of the Economic Commission Appointed to examine Proposals for Association within the framework of a Unitary State of Grenada and Trinidad and Tobago.* (Port-of-Spain: Government Printery, January 1965), pp. 66–80.

[20] It is probable that Antigua will seek independence after the 1976 election.

[21] R. H. Leach, 'The Changing Caribbean Commonwealth', *The World Today*, May 1973, p. 221.

[22] J. Harewood, 'Population Growth in Grenada in the Twentieth Century', *Social and Economic Studies*, Vol. 5, No. 2 (June 1966), p. 81.

[23] M. Marriott, 'Cultural Policy in the New States' in G. Geertz (ed.) *Old Societies and New States* (New York: Free Press of Glencoe, 1963), p. 27.

In view of rising costs of paper, printing, and postage, the price of *The World Today* has to be increased from 1 January 1975 to £4.75 *post free* per annum (in US and Canada $15 by accelerated surface post), or 40p per issue *plus postage*.

Note of the month

A PRO-SOVIET PLOT IN YUGOSLAVIA

THE recent discovery of a Stalinist plot in Montenegro, one of Yugoslavia's six federal republics, and in the neighbouring Kosovo autonomous province of the republic of Serbia, places a question-mark over the policy of close co-operation with the Soviet Union that President Tito has been pursuing for the past three years. Outwardly, relations between Yugoslavia and her Soviet-block neighbours remain good. The Soviet Deputy Prime Minister, Vladimir Novikov, was in Yugoslavia when President Tito gave the first official news of the uncovering of the 'Cominformist' (i.e. pro-Soviet) plot on 12 September, but his visit passed off without incident. The visit of the Soviet army Chief of Staff, General Viktor Kulikov, coincided with the announcement from the federal prosecutor's office in Belgrade on 20 September that thirty-two members of an 'illegal group' working in league with 'Cominformist' elements abroad had been sentenced at two separate trials in Pec (Kosovo) and Titograd (Montenegro) to terms of imprisonment ranging from one to fourteen years. But General Kulikov completed his programme and was received by the Prime Minister, Dzemal Bijedic, before his departure.

Perhaps even more important, Yugoslavia announced her participation in the Soviet-sponsored preparatory meeting for a European Communist conference in Warsaw from 16 to 19 October. On 4 October, the Yugoslav foreign ministry spokesman described as 'groundless' Western press reports that three Soviet-block diplomats had been recalled because of their role in the Montenegrin affair. A day before, a squadron of the Soviet Mediterranean fleet had put in for a three-day 'friendly' visit at the port of Split on the Adriatic coast. Perhaps most piquant of all, only a few weeks after Western correspondents in Belgrade had been briefed by 'party sources' about the involvement in the affair not only of the Soviet Union but of Czechoslovakia and Hungary as well, a delegation of Yugoslav security officials, led by the federal Minister of the Interior, General Franjo Herljevic, left for Budapest on 9 October to discuss 'further improvements in the co-operation between the two countries in the field

of security'. A few days before, news of Warsaw pact manœuvres in Hungary had been published in the Yugoslav press with the simple description that these were believed to be 'routine autumn exercises'.

It is true that from 25 September to 3 October a big combined exercise of army and air force units with the territorial army was held in Croatia. Similar well-publicised exercises were held in Slovenia and Serbia. At the beginning of October, Yugoslav security chiefs from all the republics and autonomous provinces held a three-day conference in Belgrade. But apart from a few youth and veteran meetings in Croatia early in October, which took up the theme of 'factionalism' and 'Cominformism', there was no large-scale propaganda campaign against the 'dogmatists' (another name for Stalinist, largely pro-Soviet elements in the party). Indeed the authorities made an obvious effort to show that they were not forgetting the enemy on the other, right-wing, or 'revisionist' side. In Belgrade, an elderly former adviser of the wartime royalist Serbian leader, General Mihailovic, was put on trial in September. In Ljubljana, a professor and five students who had organised solidarity meetings for liberal Marxist professors at Belgrade University earlier this year were given eleven months each. There was a crackdown on the Slovene Catholic press and in Croatia preparations were speeded up for a trial of a group of alleged Croat nationalists from the university of Zadar.

This extremely even-handed approach, reminiscent of the simultaneous expulsions of 'Cominformists' and 'reactionaries' in the period after the great quarrel with Stalin in 1948, would be easier to understand if there were no sign of foreign involvement in the Montenegrin affair. But quite apart from unofficial and extremely detailed leaks to foreign correspondents in Belgrade, there was the foreign ministry spokesman's rather pointed remark on 4 October that party leaderships in 'certain countries' had been informed of the trials and had given assurances th.. 'no hostile activity on the part of emigrés would be allowed against Yugo slavia'. And an extremely detailed article in the Belgrade weekly *NIN* o.. 29 September stated that the leader of the Montenegro conspirato.. Komnen Jovovic, had got in touch with 'Cominformist' Yugoslav exil.. during a trip abroad (presumably to the Soviet Union) in October 19.. and had received from them propaganda material for his activiti.. including the text of a programme for a new Yugoslav Communist par.. That 'programme' had been officially adopted at a 'party congre.. attended by some dozen or so conspirators in the Montenegrin seas.. town of Bar on 6 April. President Tito himself mentioned in his 12 Se.. tember speech that the leader of the new 'party' was to have been 'so.. one living abroad'—probably Mileta Perovic, a former Yugoslav ar.. colonel and military attaché who has for a number of years led a KG.. supported anti-Tito group in Kiev. There can be little doubt there.. that the Yugoslavs feel they know who was involved. Of course, this d..

not exclude the possibility that some of the conspirators might have gone further than their foreign backers wanted – though rumour in Belgrade has it that the conspiracy was discovered not through the conspirators' carelessness but as a result of a traffic accident involving a Soviet embassy car packed with 'Cominformist' propaganda material.

The fact that it took the Yugoslavs no less than five months to publish the news of the arrests suggests that they may have been hoping and waiting for a satisfactory outcome of their private démarches to the governments concerned. The trip that President Tito's senior party colleague, Edvard Kardelj, paid to the Soviet Union at the beginning of September was almost certainly in connection with the affair: it was originally billed as a 'brief visit' but turned out to last no less than ten days. Mr Kardelj stated on his return that his talks with the Soviet leaders, including Mr Brezhnev, had been 'pleasant, useful and meaningful' and had shown full agreement on the essential questions of mutual co-operation and current world events'. But to the Yugoslavs' probable disappointment, there was no sign of repentance. On the contrary, on 26 September *Tass* published a tough commentary by Vladimir Goncharov which called reports of Soviet involvement in the plot a 'malicious invention' by Western media, and indeed a 'provocation'. The same line was taken by the Hungarian party daily *Nepszabadsag* on 28 September and by the Czechoslovak party organ *Rude Pravo* on 3 October. Rather interestingly as an illustration of this non-repentant Soviet mood, the *New York Herald Tribune* of 27 September quoted a Soviet official describing the Montenegrin affair as 'part of the tense political manoœvring for the leadership of Yugoslavia after President Tito's departure from the scene'.

This apparent Soviet unconcern with the Yugoslav reaction is probably the most worrying aspect of the affair from the point of view of the Yugoslav leaders, more worrying even than the threat of a more widespread conspiracy in other republics. Such a possibility probably exists, and already in February the Croatian party leader, Vladimir Bakaric, drew attention to it, hinting that the Stalinist elements were particularly strong among the members of the Serbian minority in Croatia (see *The World Today*, May 1974). One can assume the existence of other pro-Soviet centres in other parts of Yugoslavia, composed partly of old Cominformists who opted for Stalin in 1948 and the disillusioned younger men who prefer the more full-blooded 'socialism' practised in the Soviet block to the rather diluted and unorthodox version existing in Yugoslavia. But there is no evidence yet that these groups are strong and popular, so it should not be assumed that the Soviet leadership is seriously preparing to put them in power in Yugoslavia after Tito. Soviet policy in the past three years has seemed to indicate that Moscow would prefer President Tito to carry out all the essential 'adjustments' in Yugoslavia's foreign and domestic policies, and that the rest be done by Tito's

successors. But perhaps because the Yugoslavs have so far disappointed Soviet hopes of the country's speedy return to the block—or because of the rapidly changing strategic situation in south-eastern Europe and the Mediterranean, Moscow seems now to be keener on speeding up the process of making Yugoslavia more orthodox internally and more pro-Soviet externally. The real significance of the Montenegrin episode may be that of a warning to President Tito of what could happen if he and his colleagues are not more co-operative over, for example, the question of the use of the Adriatic ports by the Soviet navy, or some other strategic and political matters. Rather worryingly for President Tito, the present disarray in the West and his own purges of liberal, pro-Western elements in the party, have deprived him of much of the internal and external backing that he could reckon with in the previous confrontations with the Soviet Union. That is perhaps the real reason why the Yugoslav reaction to the affair has been so muted.

K. F. C[illegible]

Italy — Republic without government?

P. A. ALLUM

What are the reasons for government instability in Italy? This article offers an analysis from the structural and historical points of view and assesses the possibility of transforming the party system.

CRISIS is a much abused word in the world press today, but it is [illegible] exaggeration to say that it has become a way of life in Italy. Governmen[illegible] crises, which have been endemic since the foundation of the Repub[illegible] close on thirty years ago, have more recently become over-shadowed [illegible] other forms of crisis, the most apparent being the economic one and [illegible] breakdown of public order and of certain public services, like the post[illegible] the general political malaise, governmental instability is a fundamen[illegible] if not the sole, dimension. However, before attempting a diagnosis a[illegible] prognosis, it is worth noting at the outset that the form this instab[illegible] takes is the 'musical chairs' of continuous coalition between the s[illegible] partners, frequent changes of cabinet, less frequent changes of office, rarer changes of personnel.

Dr Allum is at the Centre for the Advanced Study of Italian Society, [illegible] University of Reading; this is the revised version of a talk recently giv[illegible] Chatham House. The article appears simultaneously in German in *Europa-A[illegible]* (Bonn).

Namier-style party system

Since the passing of the French Fourth Republic, Italy is often garded as the classic case of the multi-party system in contemporary urope. There are seven national parties represented in the Italian Parliament at the moment: Communists (PCI), Socialists (PSI), Social Democrats (PSDI), Republicans (PRI), Christian Democrats (DC), Liberals LI), and neo-Fascists (MSI). Each claims to speak for an exclusive and -inclusive ideological viewpoint. But only one party, the DC, has ever n an overall parliamentary majority—a small majority in one House e Chamber of Deputies) and for one legislature only (1948–53). overnment, in consequence, has been one of continuous coalitions.

Superficial similarities between the Italian and French Fourth Republics should not blind us to specific features of the Italian party system. rst, the party system has been dominated by a permanent government rty (the DC), which has polled between 35 and 40 per cent in all postr elections (except in 1948 when it won 48 per cent) and has been the ch-pin of all government coalitions since 1946. Indeed, one of the ndamental facts of postwar Italian politics down to the present has been : impossibility of forming a government unacceptable to the Christian emocrats.

Second, the principal opposition party (the PCI), which has increased s share of the vote from just under 19 per cent in 1946 to just over 27 per nt in 1972, is by origin and definition an anti-system party, and so has en kept in permanent opposition since 1947. Although the PCI has ver denied its Marxist goals explicitly, it has followed a reformist line, oposing structural reforms for the building of Socialism. Its theoretical isis has recently been reformulated by the party Secretary, Enrico rlinguer, in the by now celebrated 'historical compromise'[1]—a grand alition between Catholics and Communists for a programme in the tional interest. The party's opponents have preferred to argue up to w that if the Communists came to power they would destroy the parliaentary system; and the electorate have followed them so far. Hence, the y to the operation of the Italian party system since 1947 has been the clusion of the PCI from government, or, as government party spokesen always put it, from 'the democratic area'.

Third, minor right-wing (PLI, MSI, and Monarchists) and left-wing SI, PSDI, and PRI) parties have rarely, if ever, totalled more than out one-third of the electorate, so that no one party, or group of parties nongst them, has been able to provide a credible alternative to the DC. heir highest aspiration thus has been that of conditioning the Christian emocrats towards conservative or reformist policies.

[1] Outlined in a series of three articles under the general heading 'Riflessioni ll'Italia dopo i fatti del Cile' in *Rinascita*, nos. 38, 39, and 40, 28 September and nd 12 October 1973; see specifically the last, 'Alleanze sociali e schieramenti litici', pp. 375.

are too weak to provide an alternative government at present, the Communists have striven to prevent the formation of stable DC cabinets for fear that they might become isolated. The dialectical relationship between DC and PCI has been responsible for both the immobility and such dynamism as the parliamentary system has demonstrated in the postwar period. From its place of imposed opposition, the Communist party has been forced to become the prime mover of liberal democratic reforms and its support has assisted the adoption of important government legislation through Parliament. The 'apparatus' leaders have been well satisfied with this situation because, as a result of a unique feature of Italian parliamentary procedure (i.e. the power of standing committees to legislate), the party has enjoyed the best of both worlds for an opposition: a cut of patronage from collaboration in committee behind closed doors[4] and the stance of unsullied opposition or prospective government responsibility in public debate on the floor of both Houses of Parliament. This has enabled it to make modest, if significant, gains in each postwar General Election.

Finally, as regards the minor parties of the Left or the Right, the contradiction between their aspirations for power and their inability to control the Government by representing a credible alternative forces them continually to renounce their political raison d'être for fear of worse. If by chance they push their support of principle to the point of resignation, they are dropped or replaced by one of the alternative government supporting parties, as the PLI was by the PSI in the early 1960s and vice versa in 1972, or brought into line by the threat of a military coup as the PSI was in July 1964.

Such operation of the party system was just about adequate throughout the 1950s, but it became increasingly less so in the 1960s for reasons outlined below. The question that this analysis raises is whether there is any possibility of change within the terms of the system as it has functioned hitherto; and what form this change is likely to take. Possibilities of change exist, notably the formation of a new parliamentary majority. The entry of the PCI into the so-called 'democratic area' would introduce welcome elements of political mobility and government stability. It is worth noting that a grand coalition between a major bourgeois party and a major opposition party representing groups hitherto excluded from government has been the way, historically, that major working class parties have entered government in Western Europe and become legitimized as alternative government parties.

The immediate problem is whether such a coalition is viable in Italy today. Although invoked with growing insistence on many sides, 'the accession of the Communists to power' is, in the opinion of such an

[4] See F. Cazzola, 'Consenso e opposizione nel parlamento italiano' in *Rivista Italiana di Scienza Politica*, 2 (April 1972), pp. 71–96.

authoritative figure as former President Saragat 'no more than idle gossip'. His reason for this view is quite simply that, despite his personal esteem for them, 'they have really been too deeply influenced by Stalinism'.[5]

The politics of the middle classes

To appreciate what is at stake in Italy today, it is necessary to understand the way in which national reconstruction was carried out during the Cold War. The Italian economy was rebuilt on orthodox liberal lines: under the Marshall Plan, massive investment was diverted towards the advanced sectors of Italian industry (export-based industries and car production), which were streamlined by the introduction of the most modern industrial methods in the factories. The Fascist foreign-trade restrictions were removed and an export-led growth mechanism was created which produced the 'economic miracle' of 1958–62, but its principal motor was always low wages. In fact, it was high profits accruing from low wages which stimulated the investment necessary to give rise to the high productivity that ensured growth and kept Italy internationally competitive in these years. The working class shouldered the burden of the 'miracle' years not only in low pay but in having to endure poor and deteriorating living conditions. Moreover, since most of the new industry was highly automated, it created jobs very slowly and unemployment remained high until the early 1960s.

Such a divisive policy would have destroyed the political system if the Christian Democrats and their allies had not been able to muster the support of all the other sections of society. Political consensus was achieved by mobilizing the middle classes and forging them into a provincial power bloc.[6] For example, the Government used subsidies and patronage to favour the growth and prosperity of small businessmen, shopkeepers, artisans, peasant farmers and their dependants, professional men, and bureaucrats and their clients. The very cautious land reform and policy for the South were inspired by the same logic: to tie by means of a patron-client system whole populations to the state through the middle classes and thus furnish the government parties (principally the DC) with much needed electoral support. Jobs, homes, schools, hospitals, everything was made dependent on the patronage of the local boss who was a government party official. This provincial power bloc was strong enough to offset the power of organized labour, which was further weakened by ideological division and police harassment.

This system worked well enough in the 1950s until the industrial expansion of the 'miracle' years, by creating a form of structural full employment, gave the trade unions a bargaining power to demand and

[5] Quoted in *Le Monde*, 16 July 1974.
[6] See A. Pizzorno, 'I ceti medi nei meccanismi del consenso' in F. L. Cavazza and S. R. Graubard (editors), *Il caso italiano* (Milan, 1974), pp. 314–37.

win wage increases they had not known for more than a decade.[7] Th leading industrial groups (Fiat, Pirelli, IRI, ENI, Montecatini, Olivett etc.) preferred to concede higher wages rather than suffer loss of produc tion from strikes. To remain competitive in international markets, the sought ways of cutting their overheads compatible with higher labou costs. The obvious one was to eliminate the parasitic waste of the tertiar and service sectors by means of a structural transformation of Italia society. Hence, they were prepared to throw their weight behind Government so committed.

This was the object of the 'opening to the Left' of the early 1960s: t carry through a programme of democratic reforms which, apart from satisfying the requirements of industry, were designed to benefit th workers (higher employment, rising real wages, more houses, school health services, public transport, reform of the civil service, etc.). Th programme, which had the support of the PSI in Parliament, was seen b its promoters as establishing social democracy in Italy; they believe that it would succeed in integrating the workers into the state afte fifteen years of opposition. Thus it enjoyed the support of the major pro gressive groups of Italian society—big business, reformist politicians, an trade unions. Yet it failed because the reformist alliance was unable t exercise a real political hegemony.

Two reasons account for this. First, the apparently all-powerfu reformist alliance was in reality dangerously weak. The common interes of the advanced sectors of industry and the trade unions were only con tingent and neither side could be sure that the other would keep its pa of any bargain struck. Moreover, it was not at all certain that the propose reforms would reduce, in the short term, the incidence of the social cos on Italian products to make a marked difference in their competitivenes This became even more problematical with the onset of the internation monetary crisis. Finally, the essential element of any successful reformi alliance, the PCI, was kept on the touch-line for political reasons. Indee the major Catholic leaders conceived the alliance to weaken the Commun ists. Second, the power which the DC had conceded to the middle class to constitute the provincial power bloc as part of its strategy of politic consensus in the 1950s was sufficient to block all reforms. For instanc its representatives were all-powerful in the parliamentary standing com mittees, the ministries and many parastate agencies, etc. Moreover, carry through the reforms the Christian Democrats would have had destroy it, and in destroying it, they would have had to destroy their ow power base, as they discovered in the riots of 1970–1 in Reggio, Calabri and subsequent neo-Fascist violence. Naturally, they were not prepare to do this.

The failure of the Centre-Left to redeem its pledges is the immedia

[7] Between 10 and 15 per cent in 1962 alone.

cause of the crisis that Italy has endured for the last five years. Higher wages without corresponding social reforms have meant a profits squeeze in industry and a drying up of private investment. Moreover, competition for markets between Italian firms and their foreign, particularly American, rivals has been growing ever more intense. It has led to a rising antagonism between different sections of Italian industry: the large-scale advanced private sector against the public sector; and both against the small and medium-sized sector which has become ever more reliant on, or bought up by, American multinational companies. Public investment was increased, but remained only a fraction of government resources because the major part was absorbed by the ever-expanding bureaucracy and subsidized parasitic activities. Small companies were increasingly faced with either liquidation or take-over by large multinationals or state holding companies. Not surprisingly, the economic recession was prolonged and even growth, which had continued throughout the late 1960s owing to the prompting of the public sector, came to a grinding halt in 1970. The crisis is that of the system of political consensus created by the DC in the late 1940s.

Two strategies

Two strategies have been promoted for solving the present predicament. The first is authoritarian: imposing constitutional reorganization from above to ensure the subordination of the labour movement—what has recently been dubbed *Fanfangollismo* in the Italian press. The other is more progressive and is centred on a negotiated package of reforms between government, employers, and unions, with wide democratic party support including the PCI in Parliament. Initially, it might be something akin to the Labour Party's 'social compact' and, ultimately, it might lead to the 'historical compromise'. Both strategies have been explored hesitantly since 1969, but have provoked violent opposition. Thus, the PCI let it be known that the Colombo (1970–2) and fourth Rumor (1973–4) Cabinets could count on its vote for their reform legislation in Parliament, and the trade unions opened a dialogue with the Government for a series of reforms. But the neo-Fascists reacted with terrorist activity and bombings on a wide scale. Similarly, the election of Giovanni Leone as President of the Republic with MSI votes in December 1971, the dissolution of Parliament in February 1972 a year before its term, the formation of the Centre-Right Andreotti Government (1972–3), and the recent divorce referendum all represented different moments of the authoritarian strategy. But they were met with street demonstrations and trade union action.

What Italy lacks today as a result of twenty years' economic and social transformation is a homogeneous dominant power bloc. Since his return as the DC's National Secretary in June 1973, Senator Amintore Fanfani

has been working to recreate one centred on his party. The divorce referendum, which he pursued single-mindedly to the vote despite the willingness of the majority of protagonists for a compromise, was an essential part of his plans. Since June 1973 he has sought to reduce the influence of factions inside the party and increase its power over outside decision-making centres (state and parastate economic and other agencies, RAI-TV, the press, etc.). His objective was to make himself the undisputed leader of the DC and it the hegemonic party. The referendum was necessary for his new system of political consensus because he needed to demonstrate to the Italian people that, when faced with a choice between the DC and other parties, the majority always backs the former. Moreover, in fighting the Divorce Act in company with the MSI, he hoped to kill two birds with one stone: to recapture the ultra-conservative Catholic electorate which voted for the MSI in May 1972 and to earn the gratitude of the Vatican (and hence its support for his designs) for having re-established two pillars of its power—ecclesiastical jurisdiction and the sanctity of the family.

For the first time since the war, the Catholic Party was openly disavowed and Fanfani's immediate plans received a sharp rebuff. In this situation, it was natural that the progressive strategy should be aired once again, only this time PCI collaboration in the Government was at the centre of public debate. Thus, for instance, Giovanni Agnelli, Chairman of Fiat and new President of Confindustria, proposed, in his inaugural address to Italian businessmen on 30 May, a government of national union between PSI, PCI, and DC as the only way of saving the country from economic collapse.[8] In August, the young left-wing Christian Democrat Minister of Industry, Ciriaco De Mita, really put the cat among the pigeons in his own party by declaring in an interview that it was no longer 'ideological irreconcilability' that kept Christian Democrats and Communists apart, but foreign policy, namely the PCI's link with the USSR. Otherwise the time was ripe for collaboration between them.[9]

Communist reaction

The response of the PCI to these solicitations has been measured—an attempt to keep all its options open. On the one hand, Enrico Berlinguer in an article commemorating the tenth anniversary of Togliatti's death set out the party's position very clearly: first, it is impossible to solve the country's grave economic and political crisis without the Communists' help; second, something must be done quickly because Italy cannot go on being governed as she is today; third, if new political initiatives are forthcoming, the PCI will be ready to rethink critically its traditional posi

[8] *Corriere della sera*, 31 May 1974.
[9] Published in *L'Europeo*, 17 August 1974.

tions.[10] On the other hand, Berlinguer has also made it clear that the party does not see 'why it should commit suicide to save the DC from the mess that it has got itself in'.[11] In other words, the PCI has no intention of entering the Government only to legitimize the workers' sacrifices and relaunch industrial production. It is currently demanding new economic policies and a new method of governing which is nothing more nor less than the destruction of the DC power system.[12]

What the PCI seems to be after is not so much immediate entry into the Government as recognition of its claim to be considered as a potential government party. The idea is that such recognition would smooth the way for the party's eventual entry into government should the Italian situation get out of hand (that is, in the event of a world recession or complete breakdown in public order). The effect of the PCI's moves, together vith those of Communist participation in Portugal and recent developnents in Spain and Greece, has been to cause considerable alarm among Vestern military strategists about the consequences on the balance of ower in Europe. They fear that the inclusion of the Communists in the overnments of Southern Europe could deprive the US Sixth fleet of the ases it now uses in the Mediterranean. But the PCI has indicated that uch a fear is unfounded by its readiness to accept Italy's membership of Nato. 'We understand', Carlo Galuzzi, a member of the Central Comnittee, is reported to have said recently, 'that it is not possible to change nternational alliances today, we ask only that Nato continues to be xclusively a defensive system and geographically limited, and that Italy ommits herself to a policy of peace directed towards the suppression of he blocks. Naturally we shall never accept that other Nato bases should e installed in Italy. But on this point I believe that the Socialists also hink along the same lines.'[13]

So far, foreign capitals do not seem to be ready to take the Italian Comnunists at their word. On 9 July, in a diplomatic Note to the Italian oreign Office, the US State Department expressed concern at the possiility of the PCI sharing power; and this was reported to have been one f the reasons that led the new President, Gerald Ford, to send one of his rst official invitations for diplomatic talks in Washington to President eone.[14] Similarly, it has been suggested that one of the considerations ehind the West German volte-face in lending $2,000 m. to Italy was he desire to strengthen the Centre-Left coalition and reduce the chances f the PCI coming to power.[15] This attitude contrasts with that of the ommon Market Commissioners who were anxious to have the widest upport (including the PCI's) for the Community's loan programme of

[10] *L'Unità*, 21 August 1974. [11] Quoted in *Le Monde*, 16 July 1974.

[12] For details see the interview of Giorgio Amendola in *L'Espresso*, 1 September 974, pp. 6–7.

[13] Quoted in *Panorama*, no. 437, 5 September 1974, p. 17. [14] *Ibid.*

[15] *Financial Times*, 9 September 1974.

which Italy would have been the first beneficiary.[16] In any event, the German action had the desired effect—in its wake, Italian voices which had either been silent on, or sympathetic towards, the PCI's aspirations, like those of Emilio Colombo, the Christian Democrat Treasury Minister, or Giovanni Agnelli, spoke out against them as inopportune at the present time.

Senator Fanfani, on the other hand, wasted no time in condemning the whole enterprise. In an almost hysterical newspaper editorial, he prophesied disaster on a world scale should the DC change its attitude to the PCI and permit it to share power: not only would the DC be irremediably transformed, it would lose votes and reinforce gratuitously both its allies and enemies; but worse, it would ensure 'Nazi-Fascist-inspired adventures', and seriously endanger 'the European, Mediterranean, and world equilibrium'.[17] He saw in the debate over his party's relations with the PCI an opportunity to mend his fences after the referendum; by proposing an extraordinary party congress to decide the issue, he calculated that it would vote overwhelmingly against an alliance and so embarrass his left-wing critics inside the party. In the meantime, his authoritarian strategy was given new substance by the then Minister of the Interior, Paolo Emilio Taviani, who now publicly recognized that the official Government version of terrorism as the work of the 'opposite extremes' (leftists and rightists) was erroneous.[18] By converting themselves overnight to the view that it was the almost exclusive work of the extreme Right and hinting at the personal involvement of Giorgio Almirante, the MSI's National Secretary, and other neo-Fascist leaders, the Christian Democrats now clearly hope to discredit the MSI in order to regain from it the votes they lost to the Left in the divorce referendum and the Sardinian elections. Next summer's regional elections will decide if they have been successful, but in the meantime there is a hard winter ahead for all parties, and above all for the Government.

As argued above, the logic of the progressive policy is to unite the reformist alliance and undermine the provincial power bloc. If the PSI with the help of the PCI can ensure that the sacrifices demanded by the present crisis really are made equitably, which is not the case at present, the provincial power bloc that has maintained the DC in power for thirty years will be in danger of breaking up. To the extent that the PCI resists the temptation to enter the Government on any terms, it can hope with the PSI to undermine the present power system and create a new government formula. As already indicated, the entry of the PCI into the area of government will unlock the present immobile party system. In as

[16] See the interview of the Italian Commissioner, Altiero Spinelli, in *L'Espresso*, 25 August 1974, pp. 61–2.

[17] *Il Popolo*, 22 August 1974.

[18] See the statements of Taviani quoted in *L'Espresso*, 1 September 1974, pp. 13–14.

much as government instability is due to an immobile party system, this development, leading in the long term via a grand coalition to some form of alternative government system, will generate a restructuring of the party system.

By way of a postscript, it is necessary to stress that the Italian situation has a much larger Western neo-capitalist dimension: the delicate balance between employment and inflation is no longer possible within the present framework of any capitalist country.[19] Since the Government, like any other elected government, cannot risk massive unemployment or live with galloping inflation, it will be forced into devising some other system. An authoritarian one, starting on Gaullist lines, which is Fanfani's secret dream, is still possible. Moreover, as already indicated, it would find widespread international support. On the other hand, nowhere more than in Italy have the social struggles and student contestation since the 'hot autumn' of 1969 led to an advance of authentic Socialist ideas. The present situation offers the Left an opportunity it has not had for half a century to establish the necessity for a Socialist solution based on Marx's vision of a society dedicated to collective welfare and not individual power and profit.

[19] On the general implications, see G. Barraclough, 'The Coming Depression' in *The New York Review of Books*, 27 June 1974.

India's nuclear presence

ASHOK KAPUR

In discussing the effects of the first Indian nuclear underground test of 18 May 1974, there are four main issues which need analysis. First, what is the future of the NPT? Secondly, what are the effects of the test on Indo–Canadian relations in particular and India's relationship with the Americas and Europe in general? More specifically, the following questions have been raised by Canada as well as by America and Britain: Is India moving madly towards a weapons programme, that is, how far does she want to go with her testing? Is she perhaps over-optimistic about the developmental uses of nuclear energy, that is, is she making a mistake by raising expectations on this point considering the American and Soviet experiences with their peaceful explosives technology? Does she propose to sell peaceful explosives technology along with power reactor tech-

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nology? Is she now willing to join the NPT on the 'other side of the fence', or will she, like China, insist that the NPT is a fraudulent exercise? In other words, will India remain totally negative in regard to the nuclear treaty or is she willing and able to be in some way both negative and positive on the peaceful explosives technology issue?

Impact on Pakistan and China

The third issue is whether Pakistan will seek to copy India's path by exploding a nuclear device; an Indian general has claimed that Pakistan may well be past the half-way stage toward a nuclear test.[1] Even if this view is factually correct and if one assumes that nuclear proliferation is inevitable, concern about Pakistan's nuclear development may not necessarily be significant in view of Mr Bhutto's statement that 'we are taking steps to secure a political insurance against India's use of the nuclear threat'. Overall it seems that Pakistan's reactions to the Indian test were guided by considerations of domestic politics and diplomacy. In his statement Mr Bhutto cautioned his countrymen against over-reacting to the test, but he and his spokesmen did precisely that. Thus, he noted that the atomic blast had serious implications 'for Pakistan's internal and external policies'. Without spelling out the domestic implications—and this author would hardly presume to do so—Mr Bhutto also gave the following warning: 'If there is some trouble outside, it is controllable without using the Indian atomic explosion as a pretext'; and, 'the tragedy is that India chose to explode her bomb at a time when the two countries were proceeding to normalize their relations. All the same I do not consider it an irreparable setback. However, a decent interval must elapse before the next initiative can be taken to normalize relations.'[2]

The fourth issue concerns Chinese reactions to India in general and to the test in particular. Recently there seems to have been some change in China's rhetoric, but observers are not clear if this is anything more than a matter of style and, particularly, if the uncertainties in Peking's leadership mean that decision-making is slow, or even paralyzed. If the premise is that the system is slow, then Vice-Premier Teng Hsiao-ping's speech at the banquet for Mr Bhutto in Peking last May signalled a shift in Chinese perceptions of India. Mr Teng noted that 'new developments have taken place in the situation in South Asia' and declared that China was ready 'to develop good-neighbourly relations with the countries of the subcontinent on the basis of the Five Principles of Peaceful Coexistence and further enhance our traditional friendship with their

[1] Lt.-Gen. L. P. Sen (retired) in 'Sunday', magazine of *Hindustan Standard*, 30 June 1974.

[2] These quotes are drawn from *Foreign Affairs Pakistan*, Ministry of Foreign Affairs, Pakistan, undated, pp. 5–12. Pakistan subsequently suggested a nuclear-free zone in South Asia as an agenda item for the 29th session of the UN General Assembly. The Indians think the proposal unrealistic.

people'. Less constructive was the offer of Chinese support for self-determination for Kashmir and the promise to stand for the defence of Pakistan's 'national independence, state sovereignty and territorial integrity and against hegemonism and expansionism'.[3] It was probably this part of the statement which caused the Indian representative to walk out of the banquet.

However, too much importance should not be attached to such symbolic gestures, because it is the context of actions rather than the exchange of talk which really matters in the Sino-Indian dialogue. China's talk should therefore be assessed in terms of Pakistan's talk and in terms of the realities of the situation. Thus, in its initial reaction to the Indian test, *Peking Review*, in its issue of 31 May 1974, reported Pakistan's view (among other points) that 'this fateful development' would not deflect her from her policies. On 26 June the Pakistan Foreign Ministry stated as follows: 'China will continue to give full and resolute support to Pakistan in her struggle in defence of her national independence and state sovereignty against foreign aggression and interference, *including that against nuclear threat and nuclear blackmail*.'[4] The first part of the statement was standard Chinese rhetoric of the kind used in the Bangladesh crisis; and if China's behaviour at that time is to serve as a precedent, the operative part of the wording concerned the preservation of Pakistan's state sovereignty—a condition fulfilled by her existence, irrespective of her strength or weakness, and of whether or not she is able to balance India militarily; that is, so long as India did not threaten the existence of Pakistan as a state and, by implication, the road link between Karachi and Singkiang (and hence also Tibet), used to service China's logistical needs in the frontier provinces. The italicized part of the statement, however, injected a new element which Indians feel requires watching.

Reactions in the West

The short-term focus of these issues centres on India's relationship with the Western states, in terms of the overall pattern of relations rather than in terms of nuclear aid, and the long-term focus centres on the future evolution of relations within the subcontinent and in Asia. If the premise is valid that nuclear proliferation—whether concerning proliferation of civilian technology or of 'peaceful' explosives technology, of nuclear weapons or of non-weapon nuclear systems such as nuclear-powered submarines—is a wave of the future in the context of the energy crisis, then the questions which are raised in the West about the future of the NPT after the Indian test must surely appear as an over-reaction, a dictate of short-term politics, a futile gasp of morality in an era where commercial

[3] *Peking Review*, 17 May 1974, pp. 7–8.
[4] *ibid.*, 5 July 1974, p. 14 (my emphasis).

interests clearly take precedence over ethical concerns. Western questioning of Indian nuclear intentions reveal a mixture of envy and concern about India's strategic behaviour. Moreover, the public postures in this case do not accurately reflect the real assessments in the West about the state of India's nuclear technology. Thus, for instance, one can guess that American agencies which ought to know about the Indian test are careful in drawing a distinction between a test of a nuclear device (which, of course, in a technical sense may be the same as a nuclear bomb) and a weapons programme which requires a heavy investment in communications, space and electronics technology, and its use.

India's strategy past and present

During the past twenty-five years India's nuclear strategy has changed —nuclear power is now more visible in Indian foreign relations— but the policy framework today is still that of the 1940s and the 1950s. For instance, Lorne Kavic[6] summarizes Nehru's view as follows:

> Nehru stated his hope that India would develop atomic power for peaceful uses but warned that, so long as the world was constituted as it was, every country would have to develop and use the latest scientific devices for its protection.

Similarly, in a private letter to the author of 15 January 1973 from the former Indian diplomat, Arthur Lall, this approach is underlined:

> Nehru's willingness to keep the option open did not mean that he favoured development of the bomb by India. He was against it. But he knew the political value of keeping the option open.

These statements clearly indicate the existence of a dual track in India's nuclear policy. One track sees the growth of non-weapons atomic technology—'peaceful' here is defined as the absence of actual weapons and nothing more. This track highlights the need to keep abreast of modern technology. The second track contains an implicit security rationale—and this is indicated in the suggestion that the latest scientific devices could be or would be used for a state's protection if the international situation became unfavourable to India.

As such the Indian test signals a commitment to strengthen the nuclear option. If 'peaceful' is defined as the absence of actual weapons, India's policy should be regarded as peaceful at present. The problem, however, is that according to the NPT a nuclear device is not peaceful by definition if a non-nuclear weapon power—that is, a power which did not test a device before 1 January 1967—tests it. Clearly, something will have to give. What the Indian test does is to create two categories of nuclear countries: first, those who claim and are known to be engaged in military activity in the nuclear field; and, second, those who have a potential military capability but who claim no intention to go in that direction at

[6] *India's Quest for Security* (University of California Press, 1967), p. 28.

present, with no commitment about the future. In the latter case, the problem is to assess capabilities and intentions.

The NPT framers tried to by-pass the more difficult task of assessing the intentions of a non-nuclear or a near-nuclear state. They chose the easier route of simply stipulating that, since the technology was the same for peaceful or military uses, the onus of proof of intentions was on the non-nuclears or the near-nuclears. India will not accept such curious logic. It is not for India to clarify the Western presumption of Indian guilt. It is for the suspicious people to ask their intelligence and research staffs to find the evidence that India has launched a military enterprise in nuclear energy.

Need to revise non-proliferation treaty

At the same time, Indians are realistic enough to know that it will not be easy for the NPT promoters to back down quickly. The emerging scenario is somewhat as follows. It would be helpful for Western states if India participates constructively in repairing the NPT. A precedent for this lies in Ambassador V. C. Trivedi's useful role in the Safeguards Committee in Vienna, even though he gave some Western delegates to the Geneva disarmament conference a hard time. It will be helpful for India if countries like Canada reassess their vital interests in the NPT. In other words, it is necessary now to separate the philosophical from the commercial aspects of the treaty and to outline the priorities. So far, for the West, the NPT has been an exercise in getting something for nothing. It is time for the Western states to declare their real motives.

If the NPT is to be repaired in the Review Conference it seems that its major rules will need real renegotiation between India and the Western states. The emphasis is on India and the West because Moscow seems to have defected—almost if not quite—from the spirit of the NPT since it failed to condemn India's peaceful explosion.

There are four major NPT rules which are currently controversial:

(i) Nuclear-weapon power states are those which exploded a nuclear device before 1 January 1967 (Article IX). This article is now dead.

(ii) Peaceful uses equals military uses if there is an explosion by a non-nuclear weapon state (Article II).

(iii) There should be international safeguards on peaceful nuclear projects of non-nuclear-weapon states (Article III).

(iv) Only nuclear-weapon states or the IAEA can offer peaceful explosive services (Article V).

One way to repair the NPT is to reassess it as follows: disengage the idea 'or other nuclear devices' from 'nuclear weapons' in Articles I, II, and III. In effect, this would mean the creation of three categories in a new or amended NPT, if indeed the strategy is to keep the NPT alive. The first category would consist of the existing nuclear-weapons pro-

liferators, the second of non-nuclear states with no interest in nuclear weapons (that is, Canada, Sweden, and maybe Japan at present), and the third of peaceful technology proliferators who promise not to export explosives technology. India would fit into the last category.

Underlying this is a view that Western states need to face the issues honestly and not keep pretending that NPT is simply a philosophy of global stability projected by a number of responsible states. If India is going to have to explain her nuclear intentions—and, of course, Foreign Offices usually do not go around explaining their intentions even if they know them clearly—then Canadians in particular (as well as other interested parties) are also going to be asked to explain their vital interests in the NPT. It simply is not enough for Canadians to talk the disarmament language of the 1930s in the 1970s. Moreover, Indians want to know if it is right for a rich country to seek retroactive and unilateral interpretations of bilateral arrangements because of subsequent changes in policy.

Overall then, with regard to the short-term issues, there seems to be an urgent need for a dialogue between India and the West. To start with, this means that Canadians will need to restrain themselves in asking publicly for explanations. Indians recognize that it was election time in Canada when India exploded her device, and even Canadians privately admit that some of the initial reactions from Ottawa were unfortunate. On the Indian side also, there appears to be some over-reaction; this might be a response to the Canadian over-reaction or because some spokesmen are not fully in command of actual facts. Thus, suggestions that India will export peaceful explosives technology or the excessive optimism about the immediate peaceful applications of nuclear devices should be examined carefully as part of a bilateral dialogue between India and select Western countries. The dialogue is likely to get under way soon and the question now is whether it can dovetail into the preparatory work of the NPT Review Conference.

Finally, Moscow's defection from the NPT spirit is important in shaping the context of the projected dialogue: the Soviet refusal to condemn the Indian test undermines the super-power basis of the NPT. Also, Americans have been looking at the issue from the point of view of improvements in Indo–US relations, just as the Russians seem to look at it in terms of Indo–Soviet relations. Hopefully, countries like Canada and Britain may want to adopt a similar stance: to negotiate rather than talk.

Long-term effects

Meanwhile, India has managed to get into the nuclear game in the sense that if she is not quite 'in'—as far as super-power considerations of world order are concerned—she is not quite 'out' either, as she was prior to her military intervention in the Bangladesh crisis. There are tentative signs that Peking now accepts that India is not a Soviet stooge.

But in assessing the implication of this one enters an area of uncertainty. Having made the point that it is ready to seek good-neighbourly relations with South Asian states, Peking to date has declined to make any concrete move towards India. In her letter of 22 May 1974 to Mr Bhutto, the Indian Prime Minister noted that 'there are no political or foreign policy implications of this test'.[8] One wonders if this is really true, since in effect the Indian test signals not only an intention to proceed with further testing but also—in terms of Nehru's policy framework—that India may move towards a weapons programme if security considerations so require. The 'peaceful uses' declaration represents present government policy and it is difficult to see how Indira Gandhi can commit any future Indian government and, more importantly, how any Indian government agent can pretend to have a crystal ball about the future. Thus, deployment of Chinese missiles in Tibet, or a Chinese missile test into the Indian Ocean, would clearly signal China's commitment to keep her nuclear shadow over India. Given Indian perceptions of this kind, it is clearly in Peking's interest not to make visible a targeting doctrine which threatens India.

There are two further considerations. If China's present style of decision-making is slow *but not* paralyzed, and if she is still looking for more evidence of Indian independence of the super-powers as a criterion for dealing with her on a basis of equality—which both countries claim to want—then China may not be impressed with the ambiguity of India's peaceful test; an Indian commitment less than a decision to move towards nuclear weapons may be insufficient from the Chinese point of view. In this case the argument assumes that China will deal with India either on a client basis—which India cannot accept—or on a basis of equality, which requires an Indian commitment to make nuclear weapons and perhaps even transform Indian society and economy into a viable indigenous model of development. On the other hand, however, if Indians are assuming that Peking's decision-making machinery is both slow *and* paralyzed, then the Indian test seems to be a signal to Peking not to take India for granted, and not to assume that she will allow the gap in nuclear technology to widen to a point of no return. Whether Indians or Chinese are going to shape the Asian nuclear scene is anybody's guess. But one point is clear: the Indian and Chinese nuclear strategies have become locked into each other, despite Mrs Gandhi's rhetoric to the contrary. If SALT II does not appear too promising in the near future, it may well be that the longer it takes the super-powers to make progress in shaping their bilateral relations, the wider the strategic dialogue will become. Finally, as younger leaders come to power, it may become easier to abandon the popular notion of disarmament and to replace it with serious bargaining to accommodate the security interests of the many rather than the select few.

[8] *Foreign Affairs Pakistan, op. cit.*, p. 16.

CAP — beginning to take stock

TREVOR PARFITT

German insistence on stocktaking marches with the UK desire for a revision of the Common Agricultural Policy. British support will be reinforced if, as is likely, national aids are not abolished.

WHEN the Foreign and Agricultural Ministers of the Nine emerged from their relatively short joint meeting in Luxembourg on 2 October, they appeared at last to have written the final paragraph of a particularly tortuous chapter in the already complex history of the CAP. They had met at short notice because, after the Agricultural Ministers had spent from the afternoon of Tuesday, 17 September, until well after dawn on Friday, 20 September, working out a compromise package to try to take some of the heat out of the crisis in European agriculture, Herr Ertl had only been allowed to agree 'ad referendum' and at its meeting on Wednesday, 25 September, the German Cabinet had demanded that certain conditions be met before it could confirm its agreement. Whether deliberately or not, the original communiqué setting out these conditions was couched in more than ordinarily opaque language and both the Council Secretariat and the permanent German delegation in Brussels spent several hours trying to establish what it meant; but the underlying intention seemed clear at least in part—the German Government was issuing a warning that it wanted to see an end to the ad hoc approach that had dominated 1974 and prepare for a more co-ordinated method in 1975.

The principal components of the package agreed on 20 September included an across-the-board increase in Community support prices of 5 per cent, with effect from 1 October 1974; an undertaking to take price decisions for 1975/6 by 1 February 1975, on the basis of proposals which would take account of the trend in production costs during 1973 and 1974; an increase of 5 per cent in beef slaughter premiums and an extension of the ban on beef imports for as long as the market situation required it; monetary measures which included changes in the representative rates of the pound sterling and the Irish pound; and a request to the Commission to present within a few weeks a proposal on common action to improve the marketing of agricultural products. The conditions attached to the agreement on 2 October were: (*a*) the 5 per cent increase in prices to be taken into account, along with the cost increases, in deter-

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mining prices for 1975/6; (*b*) member states to adhere strictly to Articles 92 and 93 of the EEC Treaty in the matter of national aids to agriculture and to submit a full list of such aids to the Commission by 1 January 1975; (*c*) the Commission to undertake a full 'stocktaking' of the CAP, and make recommendations, in time for discussion in the Council before the end of February 1975 (the European Parliament also to debate the Commission's findings). Because of the delay caused by the German Government's insistence on these conditions (of which the first was never seriously in dispute), it was also agreed that the new support prices could not now come into effect until 7 October.

Pressures

The agreement and the conditions reflected the mounting pressures to which the Community and the individual member governments had been subject in recent months. Politically, the omens had not been exactly favourable. Changes at the helm in France, Germany, and the UK, the continuing crisis in Italy, and the problems of minority governments in Belgium, Denmark, and the Netherlands were not naturally conducive to decisiveness, as some of the Council meetings earlier in the year had shown only too well. Perhaps precisely because they were conscious that the Council's credibility was now at stake, Ministers arrived in Brussels on 17 September determined to reach an agreement if it were humanly possible; and, despite a commitment to 'renegotiation' and the date of the British election being announced during the meeting, Mr Peart, the UK Minister of Agriculture, was no less determined than the rest.

The crisis in agriculture had been growing steadily worse since the autumn of 1973. The principal cause was the unprecedented rise in production costs. The UK White Paper on the Annual Review of Agriculture 1974 revealed that costs in the UK alone had risen over £700 m. since the previous review. For the EEC review, COPA[1] estimated that for the Community as a whole farmers would need an average increase in prices of at least 12·5 per cent to match the increase in costs. The Council's determinations in March gave an average increase of 8·5 per cent. The position continued to deteriorate as the summer went on and was exacerbated by the oil crisis. Farm organizations nationally, and collectively through COPA, demanded a mid-term review of prices. In July, M. Lardinois was against this; in August, he and his staff broke the tradition of the Brussels shut-down to prepare proposals; at a special meeting on 3 September the Council acknowledged the seriousness of the situation, gave preliminary consideration to the Commission's proposals, and promised to bring forward the date of its next meeting to 17 September so as to take firm decisions as early as practicable.

Feedingstuffs accounted for the heaviest increases in costs, which

[1] *Comité des organisations professionnelles agricoles.*

meant livestock producers were the most seriously affected. In the UK, the Farmers' Unions had asked for special assistance for milk producers in the autumn of 1973, but the Conservative Government was unwilling to do more than bring forward the date of the 1974 review, at which Mr Godber, the then Minister of Agriculture, announced that the Government would introduce measures which would be worth about £150 m. to milk producers. His claim of 'exceptional difficulties' was accepted by the Community as justification for an exceptional measure, although there were a few raised eyebrows in some quarters. The extent to which the difficulties of the dairy sector persisted may be gauged from the fact that by the beginning of August the House of Commons Expenditure Committee recommended an increase of 8p a gallon in returns to milk producers and Mr Peart promised a review of the dairy situation in the autumn. In the event, although the guaranteed price for milk was raised by only 5 per cent by the Council of Ministers in September, it was agreed that the UK could by various means improve the profitability of milk by approximately the Expenditure Committee figure.

Pigs and poultry producers were also in increasing difficulties and Mr Peart played the 'exceptional circumstances' card in introducing a special subsidy on certifiable pigs. But it is the situation in the Community beef market which has grabbed most of the headlines and provoked critical comment which owes almost everything to hindsight. The fact is that no one could have foreseen the particular mixture of circumstances which had emerged by July. In recent years the demand for beef has been insatiable and growing rapidly in many parts of the world. In Europe, farmers were encouraged to invest in beef production, even being given incentives to switch from milk to beef. Then came the energy crisis, which slowed down economic growth and caused people to start reducing expenditure on food. Owing to the unprecedented rise in costs, farmers by that time needed the consumer to pay more, not less, for beef; and when the consumer proved unwilling or unable to pay a price which would give a reasonable return, farmers had no option but to continue sending cattle for slaughter, as they could not afford to keep them on the farms. When the price of beef falls, the theory is that the Community intervention system will come into play and the meat will go into cold storage to stabilize prices (except in the UK, where the Government has opted out of intervention). It was originally anticipated that the intervention system would only be needed occasionally, but this summer it became demonstrably unequal to the task of handling a continuous flow of carcases. By mid-July there were 130,000 tons of beef in store, and very little room left for more. This was only one week's supply for the Community as a whole; clearly, a system of permanent intervention requires far greater storage capacity than that.

The problem facing the Commission and Council has been to find ways

of encouraging consumption short-term, to secure a sufficient return to producers to ensure there would be no shortage in twelve to eighteen months time, and to make sure imports from third countries did not destroy whatever chances there were of the internal market recovering. Beginning at the Council meeting on 29–30 April, a whole cluster of import restrictions was introduced, culminating in a ban on the issue of import licences for beef and veal from 16 July. The ban is still in force, but talks are to be held with third countries about the future level of supplies. Encouragement to producers included an increase in the guide price of 12 per cent (except for the UK) in March, a substantial increase in export restitutions, and a graduated premium scheme in July (stepped up in September) to attempt to secure orderly marketing of stock throughout the winter months and reduce the immediate rush of slaughterings. And consumption was to be encouraged by a publicity campaign, by the 'social' beef scheme for subsidized sales to hospitals, schools, and deserving groups such as old age pensioners, and by the allocation of processed beef for food aid. It is too soon to assess the combined effect of these measures. In the UK, there seems to be no prospect that the market will recover before the spring: slaughterings in mid-September were still running at about 40 per cent above the level of a year ago and there are 850,000 head of cattle still to come before Christmas.

Revision

The ineffectiveness of the beef regime is just the most striking recent example of the difficulty of making the CAP work; and the more the common solutions to problems have proved hard to find or implement, the more individual governments have turned to separate national measures. The German demand for a listing of those measures and for an assurance of good behaviour in future was not new—the Danes had been pressing for it earlier—but it was intended to call a halt to a trend which was undermining the CAP month by month (the demand came, ironically, a week after the German Cabinet, in the midst of the September Council meeting, had itself announced national decisions which, whatever their official label, were clearly designed to put cash into the pockets of German farmers). The original approach of both the Council and the Commission had been to look at these national actions sympathetically—especially in the case of Italy, whose economic plight had prompted such drastic measures as a 50 per cent import deposit scheme—and to see to what extent they could be rendered 'communautaire' or supplanted by approved alternatives. But when France, the erstwhile guardian of Community orthodoxy, revealed her own wide-ranging selection the very day after the Council had agreed its July emergency package, the attitude hardened and France found herself in danger of being hauled before the European Court (and still is).

Mr Peart claimed on 2 October that the UK had behaved strictly within the rules. It was important for the British Government to be 'whiter than white' in this matter, because it wants the option of introducing national aids again in future. As Mr Callaghan said in his opening statement on the same day, it is hard to reconcile national aids with the precise principles of the CAP, but it would now be unreasonable to abolish them. It would be better to harmonize them, and not introduce new ones without consultation. This approach was in line with Articles 92 and 93 of the Treaty and enabled the UK delegation to subscribe to the final communiqué. It also means that the UK will press for national aids to be retained as part of any revised version of the CAP which may emerge from the 'stocktaking' also agreed on 2 October.

The British Government's preliminary ideas on how it would like to see the CAP changed were touched on by Mr Callaghan in Luxembourg on 4 June and taken a stage further by Mr Peart on 18 June. Mr Callaghan acknowledged that the CAP had been of benefit to both farmers and consumers, and that the changes the Government wanted could be achieved without any treaty revision. These changes were outlined under three headings: cutting the cost of the CAP; improving the marketing regimes for some major commodities, notably beef; and securing better access to the Community market for produce from third countries, not least Commonwealth countries. In his elaboration, Mr Peart called for clear criteria for determining farm prices and asked for differential pricing to be considered. He said he did not want to undermine the principle of common pricing, but foresaw circumstances in which lower price levels could be appropriate in some areas—the levels to be agreed in the annual price review. On the beef regime, he suggested that intervention should revert to being a measure of last resort, and there should also be 'a variable premium financed by FEOGA and paid on slaughter (or, where conditions admit its effective administration, on live-weight sale for eventual slaughter)'; a system of production subsidies 'to offer permanent incentives to the rearing of calves for beef production'; and a simplified import regime to give 'reasonable access to imports from third countries while adequately safeguarding the Community market'—a principle to be applied to third country trade generally.

Initial reactions varied from the hostile to the merely cool, but enough countries have wanted changes in the CAP over the past year or more for agreement to the German demand for a stocktaking to be a foregone conclusion. Whether there will be agreement on proposals is another matter. Each country is to submit its views and the Commission will then make recommendations. There is unlikely to be any attempt to amend the Treaty, although Mr Callaghan kept a reserve on this, no doubt for domestic reasons. National measures could well survive, provided they conform to the treaty, and so encourage British support. The beef

premiums already introduced are a practical endorsement of Mr Peart's variable premium idea (although not yet an acceptance of the full cost being borne by FEOGA). The Commission's neat political footwork in suggesting an alternative to Mr Peart's Australian sugar deal shewed that imagination is not lacking in Berlaymont when it comes to bolstering Community preference, while the agreement to talk with the beef exporting countries should result in an attempt to forecast requirements more accurately if nothing else (and could perhaps be linked with the Japanese ideas on monitoring information which are to be discussed at the World Food Conference in November). Producer organizations will support modifying the CAP so long as market management is improved to ensure that the producer actually gets the prices that have been determined (which is far from being the case at present), but will have internal problems over the criteria for determining prices if these are set at the level of only the most efficient farms. And the strains imposed on the CAP by currency problems, which are more acute than any difficulties arising out of agriculture itself, could just conceivably stir the Finance Ministers into action—the President of the Council, with perfect timing, released on 16 September a memorandum on New Initiatives in the European Monetary Field, and without some far-reaching changes in this sphere the 'new' CAP will be under as much strain as the current one.

A formidable workload is in prospect for politicians and officials alike. The 1975/6 prices have to be settled by 1 February 1975. The 'stocktaking' has to be discussed in the same month, and the British Government wants a new beef regime under way at much the same time. The Commission's proposals for improving market management generally are due shortly, the Gatt talks could be resumed, and the World Food Conference could produce commitments for new initiatives to be taken. Meanwhile, consumers as well as farmers grow increasingly restive as inflation gallops ahead and they demand a halt to rising prices. Retail food prices have been more of an issue in the UK, with her 'cheap food' tradition, than elsewhere, and expensive subsidies have been provided to save minuscule sums per head. As Australian and New Zealand spokesmen constantly remind us, the old prices are gone for ever and there are no cheap supplies to be had anywhere in the world. Any revision of the CAP will do well if it achieves stable rather than sharply rising prices. There is no real understanding among most shoppers of how the price of, say, a pound of butter is made up and the multiplicity of reasons—from a drought to a transport strike—that can make it change. British governments have consistently refused to adopt the American practice of collating and publishing information on the different elements which go to make up the price of a given item of food; the time may be coming when regular publication of such information will be an essential form of public education.

Syria's options

STEPHEN OREN

External and internal constraints on the Syrian regime have produced a situation, which the dissatisfied could exploit to force a resumption of hostilities in the Middle East.

PERHAPS the most unexpected of Dr Kissinger's feats was the Israel-Syria disengagement agreement last May. But it comprises a time-bomb, for the UN force holding the ground between the two armies has a life of only six months which ends in December. At that point, a resolution of the UN Security Council will be needed if the UN force is to remain. Given Soviet and Chinese Middle East policies, no such resolution will pass if Syria does not wish it. And while the removal of the UN force would almost certainly be the signal for renewed conflict between Israel and Syria, there are at least indications that Damascus may be willing, or feel compelled, to run that risk.

The obvious contrast is with Egypt's disengagement agreement, which also contained a six-month limitation for the UN forces but posed a technical rather than a political problem. Cairo can confidently look upon Israel's surrender of the territory between the Suez Canal and the Mitla Pass as but the first of several stages. To be sure, General Gamasy, presumably speaking for the Egyptian Government, has indicated dissatisfaction with the slow pace of these withdrawals. Some heavy weather may also lie ahead both as to Israel's conditions for withdrawal (demilitarization of Sinai) and her wish to retain strategic and Jewish-populated areas in the Sharm el-Sheikh and el-Arish regions. But Cairo and Jerusalem agree that the vast bulk of Sinai, including its rich oil fields, is going back to Egypt.

No such consensus exists regarding the Golan. While Syria insists that all her territory must be returned, Israel is conscious of the way in which the Golan mountains dominate her northern frontier, and the use the Syrians made of this fact before 1967. Moreover, el-Quneitra's return to Syria means that any additional Israeli withdrawal will involve areas now populated by Jews. As Dr Kissinger discovered in May, Jerusalem is most unwilling to cede such lands—and even if Prime Minister Rabin could be persuaded, his public opinion cannot. If the Syrians needed any additional evidence of Israel's policy toward the Golan, her decision to

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establish settlements and urban centres in the area, and that of Mapam (Israel's dovish, Marxist party which is a junior partner in the coalition) to break with its policy of not settling beyond the 1949 armistice lines and establish settlements on the Golan, would provide it. On this ground alone, it is easy to see why the Syrians feel that, except through war or the threat of war, they will obtain no return of territory.

But the difference between Sinai and Golan is merely a symptom of that between Egypt and Syria. Many Egyptians politically define themselves as Egyptians, not Arabs—although large segments of Egyptian society probably still view themselves as neither, but as part of the Islamic Umma. Accordingly, the Sadat regime, dissatisfied with its lack of success in promoting a Pan-Arab policy that did away with the very name of Egypt but found all efforts at Arab unity frustrated, should turn to a policy emphasizing Egyptian economic development through a market economy which, in turn, requires the cultivation of US–Egyptian ties. Part of such an Egyptian nationalist policy would be a willingness to withdraw from the Arab–Israeli conflict (shall Arab or Jew rule Palestine?) in return for a settlement of the Israeli–Egyptian conflict (shall Israel or Egypt rule Sinai?) on Egyptian terms. To be sure, it is doubtful whether *all the effects of Arab nationalism have suddenly disappeared* from Egyptian society; but, in any case, neither the Pharaohs of ancient Egypt nor the Ptolemies of Hellenistic Egypt, the Mamluks of medieval Egypt, or even Muhammed Ali in modern Egypt needed to be Arab nationalists in order to be concerned with the lands to their north-west.

Syria's sense of identity on the other hand is far weaker. Not only was she the original home of Arab nationalism in the 1860–1914 period but, insofar as there is a sense of 'Syria', it tends to be of historic Syria including Lebanon, Israel, and Jordan. This point explains not only much of her hostility towards Israel but also the motivation for her efforts to intervene in Jordan's civil war in September 1970. Hence, Damascus finds it much more difficult than Cairo to think in terms of 'contracting out' of the Arab–Israel conflict.

Syrian policy is further complicated by internal political difficulties and inter-Arab disputes. While, as Table I shows, the majority of Syrians are Sunni Muslims, Syria has since 1966 been governed by military groups, mainly of Alawi origin[1] (although with some Druze and Sunni admixture) in the name of the combination of Populism, Socialism, and Nationalism that constitutes the ideology of the Ba'th. The Alawi faith, a secret offshoot of Ismaili Shi'ism that appears to have incorporated animist and Christian beliefs, is preserved only in the mountains around Latakia where the castles of the Ismaili Assassins still stand; it is far

[1] Alawi–Sunni tensions in Syria are analysed in detail in A. R. Kelidar, 'Religion and State in Syria', *Asian Affairs* LXI:1 (February 1974), pp. 16–22. The history of the Assassins (including reasons for Sunni suspicion of their spiritual descendants) is given in B. Lewis, *The Assassins* (New York: Basic Books, 1968).

enough from normative Sunni Islam to make many Sunni Muslims in Syria suspicious of a government headed by Alawis.

The foes of the Damascus regime, both external and internal, have not hesitated to use this weapon. Both the Saudi regime in 1967, irritated by the Ba'th's support of revolution in the Arab monarchies, and the Libyans in 1973, antagonized by the contrast between the secular 'Marxist' Ba'th and their own revolutionary and puritanical Islam, have stirred up Syrian riots against the Ba'th in the name of Islam.

TABLE I

Syrian Ethno-Religious Groups (%)[a]

Language	*Religion*	*% of population*	
Arabic	Sunni Muslim	65·3	
Arabic	Alawi Muslim	10·7	Majority in Latakia area in Syria's noth-west
Arabic	Druze Muslim	3·1	Majority in Jabal ad-Druz on Syria–Jordan border
Arabic	Other Shia	1·6	
Arabic	Muslim (sub-total)	80·7	
Arabic	Eastern Orthodox	4·5	Mainly in cities
Arabic	Roman Catholic	2·8	Mainly Melkites (Byzantine-rite Uniate Catholics) in cities
Arabic	Other Christian	1·8	Mainly in north-east (Jezirah)
Arabic-speakers (sub-total)		9·8	
Kurdish	Sunni	6·2	On Syrian–Turkish and Syrian–Iraqi borders
Armenian	Christian (88·5% Gregorian	3·5	Mainly in Aleppo City
Others	(Yezedis, Jews)	0·5	
	(sub-total)	10·2	

These riots and pressures in turn forced Syria's hand. The 1967 war took place partly because the Ba'thist regime used Syrian-backed fedayeen attacks on Israel to show its Arab virtue and thus to legitimize itself, while using its internal weakness to show its Soviet allies that to restrain it would mean to cause its fall.

The Ba'thist regime had, in fact, two options. On the one hand, it could maintain a policy of 'mobilization' to keep public attention at a peak and to constantly demonstrate its Arab and revolutionary virtue, showing that Alawis were as patriotic as any Syrian. This policy, used by the 1966–70 Salah Jadid Government, called for a foreign policy that was not only intensely anti-Israel but also one which opposed the Arab monarchies (in this context, too, the Syrian move into Jordan in September 1970 may be cited) and other supposed oppressors of the Arabs such as the Iranians

[a] Figures based on those in G. Torrey, *Syrian Politics and the Military 1945–1958* (Columbus: Ohio State University Press, 1964) p. 419.

ɔd Ethiopians (both Khuzistan and Eritrean Liberation Fronts found ınctuary in Damascus). On the domestic side, many businesses (in ·hich Eastern Orthodox and Melkite Christians play a disproportionate ɔle) were nationalized, private schools such as those of the Armenian[3] ɔd Maronite communities were taken over by the Government, and :tempts were made to 'Arabize' the areas of Syria inhabited by Kurds. s for the Government itself, its control by a military faction that called self the Ba'th was modified only by the granting of some minor minis- ·rial posts (i.e. communications) to Communist Party members, seem- ıgly in an effort to win Soviet good will.

Yet nationalization paralyzed the Syrian economy, the 1967 war led ı the loss of Syrian territory, and US–Israeli counteraction doomed the ırust into Jordan. Hafiz el-Asad, who assumed control of Syria in 'ctober 1970, has accordingly followed a somewhat more moderate ɔlicy. Many businesses were denationalized. 'Nasserist' parties were lmitted to junior positions in the Government, and reasonably free ɔcal elections were held—although decision-making is still the pre- ɔgative of the military Ba'thist Revolutionary Command Council. Pres- ıre on Christian groups, particularly on the Armenians who were per- ıitted to resume contact with the Catholics in Beirut, was relaxed. :urdish and Jewish minorities, however, have seen no improvement in ıeir condition. In foreign affairs, Damascus moved closer to Cairo, thus ıaking possible Syro-Egyptian co-ordination in the October 1973 con- ict. There was also a superficial Syrian–Saudi reconciliation mainly out f common fear of Qaddafi.

In the spring of 1974, el-Asad was confronted with a difficult choice. ll Syria's Arab fervour, which could turn easily against himself and his ·llow Alawis, was against a disengagement agreement. But signing the ȝreement would mean that the Syrians, who had only managed to lose ɟditional territory in October 1973, would regain the symbolically nportant town of Quneitra. US promises of financial aid, although far ss generous than those made to Egypt, were attractive given the Syrian ·gime's interest in economic progress. Failure to conclude an agreement ıight well have meant renewed war with Israel for which Syria was not ·ady. Aside from military weakness, elements of the Druze minority ere dissatisfied. Influential Israelis have at times speculated about a ʼruze buffer state reaching from the Golan to Jabal ad-Druze.[4]

Damascus, after inner divisions among the Ba'thist leadership of which

[3] R. Hovannisian 'The Ebb and Flow of the Armenian Minority in the Arab liddle East', *The Middle East Journal* XXVIII:1 (Winter 1974), pp. 25–28, dis- ısses the changing (and generally declining) conditions of the Armenians in yria.

[4] However, past efforts to stimulate a Druze nationalism, for example by the rench, were unavailing. Many Druze (even in Israel where they are regarded as distinct non-Arabic nationality) have historically identified themselves with rab or Greater Syrian nationalism.

little is yet known, accepted the disengagement agreement while m taining its option for future conflict. The best indicator of this i Quneitra. One reason why the Israelis were willing to return el-Qun to Syria, as well as a reason for Kissinger's willingness to promise Syrians US funds for Quneitra's rebuilding, is that a Syrian-inhab el-Quneitra, positioned between the Syrian and Israeli forces, w help deter Syrian thoughts of renewed conflict in Golan. But Dama has not fallen for that ploy: the Syrian flag flies in el-Quneitra, yet t are still no Syrians there, except for 100 'policemen'.

El-Quneitra is not the only place where Syria has kept her options o For instance, she did not join the Geneva conference, but neither did denounce Egypt for doing so. Israeli raids in Lebanon, in retaliation Palestinian efforts to destroy any chance of Israel–Arab accommoda by attacks on Israeli towns and settlements, have evoked no resp from Syria. Indeed, es-Saiqa, the Syrian-backed Palestinian grou reported to have been disbanded, while the Popular Front for the Lib tion of Palestine–General Command (PFLP–GC), the group respons for the attack on Kiryat Shmona, has been severely restricted by Syrian Government. Overall, the motto of Damascus was expressed Foreign Minister Khaqqam's comment that, despite Syria's agreemen disengage, she could resume the war at any time.

Growth of armed forces

Giving point to his remark is the recent growth of the Syrian arr forces. Although Syria lost about two-thirds of her 300 planes during October war, these have reportedly been replaced by the USSR so t there is a Syrian air force of some 400 planes including about twenty-f Mig–23s and 200 MiG–21s. Similarly, the Russians have replaced Syr lost tanks and have furnished substantial numbers of SAM–6 and SA anti-aircraft missiles as well as Sager anti-tank missiles. In view of large losses of trained personnel sustained by Syria in the October v one may wonder how much of this material the Syrians could han under battle conditions; but there are some 3,000 Soviet experts in S attempting to train the armed forces. Syria has clearly strengthened military position near the disengagement line. Whether this violates agreement appears to be a technical and semantic dispute.

This arrangement is as much in the Soviet as in the Syrian inter Much of this material is being *sold* to Syria who obtains hard curre for this purpose from Saudi Arabia. Moreover, since Sadat's expuls of Soviet advisers in the summer of 1972, Latakia has emerged as major Soviet base in the Mediterranean. As the only other Soviet ally that sea is unpredictable Libya, Latakia would be very difficult for Russians to replace. Yet a Syria who was not receiving such a rich flov Soviet weapons and would thus have to rely upon negotiation, American pressure on Israel, to recover the remainder of the Golan

y nothing about the Palestine question *per se*) would have little reason tolerate a Soviet base on her territory and much reason, both political id economic, to eliminate the base, thus pleasing the United States.

Still, although the Syrian army today may be equal (or perhaps arginally superior) to that of October last year, it is clearly not equal the combined Syro–Egyptian forces of that date. And although those rces had the advantage of surprise, the October war did not represent a ctory for them. Indeed, we now know that the Syrian Government riously considered evacuating Damascus. That is a powerful factor ainst renewed war. But a Syrian decision not to go to war is, in the esent stage of Arab politics, an option for Egypt, against Libya and aq—and perhaps against the USSR as well. By neither allying itself ith nor denouncing Cairo, Damascus hopes to pressurize President adat into agreeing that complete Israeli withdrawal from the Golan must e an integral part of any settlement reached in regard of Sinai. The gyptians, because of both internal pressure arising from younger army fficers and a desire to maintain their international status, have attempted co-ordinate their dealings with the Israelis with those of other Arab tates bordering on Israel. Egyptian willingness to delay a second-stage sraeli withdrawal from Sinai in order to wait upon an Israel–Jordan isengagement agreement would be one sign of such a policy. And, of ourse, Syria's position as Egypt's ally in October (in contrast to both ordan and the Palestinian groups which were inactive during the war) ives her a yet stronger claim on Egypt. Unhappily, the complex nature f the Golan issue (to say nothing of that of the West Bank or Jerusalem) eans that such an Egyptian commitment makes Egyptian recovery of inai more difficult, thus weakening those in Egypt prepared to support t least a limited Israeli–Egyptian accommodation.

On the other hand, if Syria has, or if Syrians think she has (which may ot be the same thing), an option to go to war, then el-Asad's regime ay find itself under pressure, a pressure stimulated by the Libyans and raqis. Neither Libya nor Iraq is especially concerned about Israel;[8] or, utting the matter more kindly, they both feel that the road to Jerusalem asses through Cairo, and the road to Cairo through Damascus—if one an imagine such a geographical monstrosity. Libyan–Egyptian an-gonism is fairly well known. As for the Iraqis, Egypt's reconciliation ith the West (which has included Iranian investment in Egypt) isolates raq in her confrontation with Iran and with the Iranian-backed Kurdish ebels. Both states have fairly close links with the USSR and neither has ny real use for the Syrian Government. Libyan–Syrian disagreements ave already been mentioned. With regard to Iraqi–Syrian relations, ifferent factions of the Ba'th have been in power in the two states over ie past decade. One might even suggest that Iraqi leaders have not for-

[8] Published figures show that during the 'Arab oil embargo' Iraqi exports of il actually rose while those from Libya remained constant.

gotten the old dream of uniting Iraq and Syria in the event of a collapse of the Syrian Government.

But the central point is the possibility of overthrowing President Sadat. Were there to be a Syria–Israel war in which Egypt did nothing, then Sadat would be in trouble. If Syria had any success, many Egyptians would wonder why Sadat stooped to negotiation. If, as is more likely, there was a Syrian failure or a stalemate that went on for some time, then Sadat would come under considerable internal and external pressure to open up a second front. Militarily, this would be difficult since Sadat's reconciliation with the West has meant an end to Soviet supplies for his armed forces. Yet could Egypt, who went to war for Syria's sake in 1967, simply sit back in 1974–5 and do nothing while Israeli troops entered Damascus? As an extra bonus for Libya and Iraq, there would be comparable pressure on Amman.

It is evident that on this point Soviet interests, assuming that the Russians after all their disappointments in the Middle East still think it worthwhile to play the role of a nineteenth-century great power, accord with those of Libya and Iraq. For this reason, among others, Soviet military aid to Syria is not surprising. On the other hand, Moscow fears a conflict in which its only options might be to give military aid to Syria thus opening up the possibility of a direct Soviet–US clash in the Middle East or yet another fairly graceless retreat from confrontation, as in 1967 and (to a lesser degree) 1973, which can only lower Soviet prestige. It is noteworthy that Soviet support of the Palestinians has been extended to al-Fatah's leader, Yasir Arafat, who is at least willing to think about an eventual negotiated settlement, rather than to the extremist groups such as the PFLP–GC and 'Arab Liberation Front' which, with Iraqi support, have called upon Palestinians to cease dealing with Arab governments that talk of negotiation. While the USSR might not urge Syria to remove the UN forces from el-Quneitra, should Damascus desire them removed, she would support its position in the Security Council.

But it is in Damascus that the issue must be settled—and there is little reason to think the Syrian regime is sure of its own course of action past December. To maintain the UN forces is to break openly with Libya and Iraq, thus impelling them to attempt el-Asad's overthrow, an effort in which both Arab nationalist sentiment and Sunni anti-Alawi prejudice can be used. Yet, there is little prospect of Israeli concessions that might counteract an extremist Syrian stand. As for the alternative, to oust the UN forces, could the Syrian Ba'th stand a third defeat in seven years? What indeed would become of Kissinger's efforts were any new conflict to arise? There is, as noted above, an obvious comparison with 1967. The Syrian rulers, who from time to time claim to be Marxists, might do worse than recall Marx's phrase that 'History repeats itself, the first time as tragedy, the second as farce.'

Oil: towards a new producer–consumer relationship

SHEIKH AHMED ZAKI YAMANI

'Saudi Arabia has always felt the need for moderate and gradual price increases that cope with market conditions and to which the consuming countries' economies can be adjusted.'

IT has taken a series of dramatic events over the past two years to put the issue of oil in its true perspective. Prior to that, oil had for too long been taken for granted and the world was not aware of, or at least was not concerned about, the anomalies that were inherent in the structure of the oil industry. One of the most serious of those anomalies was probably the lack of any form of direct contact between the producers and the consumers, for which both, in addition to the oil companies, were to blame. The major industrial consumers, assured of the availability of cheap abundant energy, were complacent; the oil companies were happy with the excessive profits they made; the producers, due to a combination of market conditions and an inability to assert their rights, were acquiescent.

Now the need for an objective dialogue between the producers and consumers is beyond question. Since oil represents the all important life-blood of the world's economies, neither producers nor consumers can afford to postpone such a dialogue for much longer. The world's economic well-being is at stake and confusion and uncertainty about its future must be avoided at all costs. Confusion and uncertainty are often the result of mischievous and irresponsible accusations directed alternately against producers and major industrial powers. The only way to put an end to such accusations and forestall their evil effects is for the parties concerned to meet, candidly state their points of view, and genuinely attempt to resolve their differences.

The vital role of oil in the world economies is better appreciated when attention is paid to the size of its consumption, its imports and exports, the huge investments attached to its production, transport and distribution, and its value. Total world consumption of oil in 1973 reached about 2,800 million tons, of which about 1,700 million tons (34 million barrels per day) or 61 per cent was traded internationally. The value of that amount in 1974 will be no less than $100 billion[1] thus raising its

[1] Billion = a thousand millions.

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share in world trade from about 5 per cent during the 1950s to about 20 per cent this year, consolidating its position as the most valuable single commodity traded internationally. The fleet of tankers servicing its transport totals 3,650 vessels amounting to 246 million deadweight tons. The capital expenditure on its production, transportation, refining, marketing, and related petrochemical industries in 1972 alone reached about $25 billion.

It is not my intention to lay any further emphasis upon the degree of dependence of the world consumers on oil imports, or even the almost total reliance of the oil-exporting countries on the export of this commodity, for it is the inter-dependence of both exporter and importer which has promoted the exploitation of this natural resource to unprecedented levels.

New role for oil companies

These facts underscore the significance of the economic relationship which has existed between the two groups of countries over the last quarter-century. Until recently that relationship between exporters and importers was triangular. The oil companies being a partner at the source on the one hand and at the terminal on the other, assumed the role of the commercial third party who mediated between the two others, their role being relegated to that of a tax receiver. True, state oil companies in exporting and importing countries alike, were already established. However, their influence on oil trade was negligible due to the lack of sources of crude oil of any significance available to them. The structural changes which occurred during the last four years have had far-reaching consequences for the world oil industry in general and for those directly or indirectly responsible for running it in particular. The principle of 'participation', the call for which commenced no less than ten years ago, was finally implemented. It resulted in a shift in the control of oil exploitation and trade, away from the oil companies to the producing countries' governments. Those governments retain now almost entirely the decision-making powers for price determination, production levels in their countries, future expansion of oil facilities and, to a great extent, the destination of oil exports. Consequently the role so successfully played by the oil companies as bridge and buffer between the exporting and consuming countries has diminished, giving rise to the need for filling the vacuum thus created by a new two-party relationship between the two groups of countries. The role being played by the oil companies now is properly that of a purchaser, refiner, and provider of technology.

The emerging relationship between the two groups of countries as foreseen today rest upon three basic factors: availability of crude, the price of oil, and the re-cycling of oil surplus funds. All indicators point to the fact that demand for oil has slackened as a result of the recent price

increases adopted by the oil-producing countries. Indicated elasticities show that the growth of demand in the free world will slow down from the staggering rate of 7·5 per cent per annum witnessed over the last ten years to a moderate 2 to 3 per cent per annum in the coming ten to twelve years. At such rates, however, demand will rise from about 43 million barrels per day in 1973 to about 58 million barrels per day in 1985, showing a total increment of about 15 million barrels per day. Assuming that indigenous sources in the consuming countries will furnish about 6 million barrels per day from the North Sea and Alaska, this leaves about 9 million barrels per day in 1985 or an annual incremental amount averaging 750,000 barrels per day to be imported on top of the 34 million b/d imported from all sources in 1973. On account of the fact that imports of Opec crudes amounted to 31 million barrels per day in 1973, and assuming that Opec sources will furnish the entire additional amounts required, the total volumes which may eventually be imported from Opec countries in 1985 will be about 40 million barrels per day. More than a quarter of these amounts will most likely come from Saudi Arabia.

Oil supplies drawn by the consuming countries from Opec sources during the twenty years preceding 1970, were forthcoming under market conditions which favoured the buyer. For all practical purposes crude oil reserves were considered abundant if not unlimited, prices were cheap, and producing countries were in the utmost need of revenues and even competed with each other for incremental sales. Under the present conditions, however, the market favours the seller. Demand has reached high levels, world reserves are low, prices are high, and the need for revenues in the majority of producing countries is more than covered for the immediate and intermediate future at present levels of production.

Correcting supply and demand imbalances

The slowdown in the growth of demand during the first eight months this year has created an oversupply of about 3 to 4 million barrels per day. This was followed by commensurate cutbacks in production in the oil-exporting countries in a move to meet demand at a new equilibrium point. Under the existing prices, the majority of producing countries enjoy a high degree of manœuvrability whereby the revenue they need may be obtained under much lower production levels; and the amounts they produce are now much more linked to the demand of consuming countries, despite its decline, than to their own requirements. The decline in demand, although very significant in its consequences on prices, has, in a sense, achieved world objectives, by safeguarding the interests of consumers and producers alike. For the consumers, it means the extension of the life expectancy of world crude oil reserves from which they will draw their supplies for future generations; for the producers, it helps

them to implement their conservation policies without causing intolerable difficulties to the consumers, and for the world as a whole, it entails a more efficient allocation of resources.

Oil is a non-renewable resource, and for the peoples of the Opec countries it constitutes the greatest if not the entire source of livelihood. The revenues earned from its trade should not only meet the current requirements of the exporting nations, but also their future needs when this resource is entirely depleted. The theme for consuming countries has always been security of supplies and cheaper prices. Our theme is security, adequate revenues, and the rational utilization of our natural resources. It is therefore inappropriate to link the price of oil and its cost of production. The fact that our oil resources are prolific does not lead to the conclusion that only consumers may reap the benefits accruing from the difference between cost of production and market prices of products and their substitutes elsewhere in the world. At any rate, the low prices which prevailed over the quarter-century prior to 1974 had only secured the objectives of the consumers. Opec oil was cheaper than conventional crudes produced elsewhere and other substitutes like coal by no less than 50 per cent. None the less, and because supply exceeded demand, prices were low and the producers were unwillingly acquiescent. Their attempts to raise prices by as little as 25 cents per barrel failed for a period of eleven years, despite the slow change in the market forces which called for an increase towards the late 1960s. The situation became so anomalous that correction of the imbalance in the early 1970s through a price increase was the only logical conclusion, if a new equilibrium between supply and demand was to be reached. What aggravated the situation further was the continued rise in world inflation and the ever widening gap between the prices of goods and services imported by the oil-producing countries, and the prices of the oil they exported. Furthermore, proven world reserves of crude oil exhibited a pronounced decline towards the late 1960s indicating a drop in their life-expectancy from thirty-six years in 1955 to thirty years in 1973 with a possible drop to twenty-five years by 1980, creating an irreversible scarcity in prospective supplies.

The price increases which took place under the Teheran Agreement of February 1971 proved to be too mild for any future correction of the continuing supply-demand imbalances and ever rising world inflation. It was believed by Opec sources during late summer 1973 that doubling the Teheran prices and indexing them thereafter by an annual 10 per cent inflation factor would serve the purpose. However, the price set by Opec in October 1973 fell short of that objective because it entailed an increase of 70 per cent only, and the entire detachment of the inflation element. Since that increase failed to provide a true reflection of the market supply/demand interaction, another increase was felt to be necessary, and a further rise in the price of crude of 130 per cent was brought into effect

on 1 January 1974. Since the Arab oil embargo had blurred the issue, it was not until its complete removal in March 1974 that normal conditions were restored. It was clear during the ensuing months that the decline in world consumption was not purely a function of the reduced availability of crude oil, but was also traceable to a noticeable price elasticity at the consumer level. This goes to show that the market mechanism is the final arbiter of the soundness of human judgements with respect to economic trends. The discernible decline in world demand is undoubtedly a direct consequence of the sharp increases in the price. Saudi Arabia has always felt the need for moderate and gradual price increases that cope with market conditions and to which the consuming countries' economies can always be adjusted. It will be recalled that what prompted Saudi Arabia to call for lowering oil prices is our belief that the sharp and sudden increases would have adverse effects on the world economies. Our efforts to achieve this did not succeed but they did prevent prices from shooting up beyond today's levels. In the future it is unlikely that prices will drop unless there are co-ordinated efforts in that direction. The situation is rendered more difficult by the fact that energy supplies which may be substituted for oil consumption in appreciable quantities will not be forthcoming except within a price range equivalent to that prevailing for oil, and with a time lag ranging from five to ten years.

The Arab oil embargo which disrupted the flow of oil to consuming countries has had an indirect effect on prices in that it blurred the whole issue. As I have said many times before, the embargo was not adopted in order to harm the consumer or drive prices to higher levels. If any unusual increases in market prices took place as a result, as witnessed during the period from October 1973 through the early part of this year, we were not responsible for it. On the contrary, we helped to bring the situation back to normal by reinstating ordinary levels of production the moment the embargo was called off. We hope that the conditions which called for its adoption in the past will not recur, as we firmly believe that the prospects of peaceful solutions to the problems of our area are good.

Projection of revenues and surpluses

World monetary institutions as well as financial analysts are preoccupied these days with estimating the size of surplus funds likely to emerge over the next ten years or so as an outcome of recent high oil prices. A number of calculations are worked out based on several assumptions and variables. In these calculations, the producing countries are categorically classified into two groups: those countries likely to accumulate great surpluses, and those capable of absorbing their oil revenues. Proposals, some of which are sound, have been submitted for channelling these funds to where they are supposed to ensure the world's economic and financial stability. We recognize that surpluses are bound to be

created for oil-producing countries and, because of the magnitude of the problem arising therefrom, we do not shun advice on how it should be tackled and resolved. But those preoccupied with the problem should pause for a while and acquaint themselves with the view of those directly concerned with it: the oil producers.

I have already provided an order of magnitude of the likely level of exports from oil-producing countries over the coming twelve years, as warranted by projected world demand. This level will naturally be depressed should world-wide economic recession befall us. On the other hand, following the sharp price increases, the need for revenues in the majority of the oil-exporting countries is more than covered. Any upward or downward movement in the levels of production in the future, therefore, will be determined more by conservation than by revenue considerations. Thus future Opec production is likely to vary with the two factors of demand and conservation. Under these assumptions in relation to production and at current prices, it is now possible to arrive at a more accurate projection of revenues. Such revenues should include the additional income which will accrue to the producers as a result of raising the level of participation in the oil companies operating in their territories, and the new rates of royalty and taxation that have been imposed on them in accordance with the latest Opec decision. It is expected that both tax rate and royalty will be further increased starting January 1975, on a gradual basis.

Having thus determined the manner by which revenue may properly be calculated, we can turn to examine the approach to calculating expenditure, the other determinant of surplus. There have been many erroneous opinions about which countries will accumulate what amounts of surpluses. Saudi Arabia for example has been classified amongst those who will amass huge surpluses, the figures having been arrived at by simply deducting normal expenditure (including our imports of goods and services) from total revenue. Our five-year development plan envisages the expenditure of $60 billion in 1973 dollars, a figure subject to upward revision henceforth every year. Following the dollar devaluation our riyal has been effectively revalued three successive times by a total of 27 per cent. Our custom duties have been reduced virtually to nil. Our contribution to the Oil Facility Fund in the IMF is $1·2 billion, the largest amount put up by any oil producer, and the assistance being extended by Saudi Arabia, directly and indirectly, to developing countries through financial institutions amounts to several billion dollars. I have mentioned but a few measures whose significance to our import and internal investment capacities is tremendous. I am not trying to oversimplify the problem, but rather to guard against miscalculations and misleading exaggerations, for practical solutions cannot be reached except by careful and objective analysis of facts.

e-cycling of funds

It is quite clear that in the short term, the only solution to the oil deficit roblem is the re-cycling of oil surplus funds in the oil-consuming counies. The problem seems to consist of three basic components. The size surplus/deficit, the maldistribution of surpluses, and the lack of longrm investment facilities.

I do not see the amassment and concentration of wealth in a limited umber of countries in itself as a cause of the problem. For concentration wealth is not confined to one or two groups of countries. Industrialized untries are few and they have amassed amounts of wealth of unpredented proportions. The consumption of petroleum alone in the six ost industrialized countries reached about 30 million barrels per day in 973, representing more than half the world consumption as a whole. The ze of the expected surplus/deficit, although considered quite high, was ot permitted so far to grow any bigger because of the price freeze applied nder Opec resolutions throughout the course of this year despite the ntinued rise in world inflation. That was a very effective measure in ntrolling its size and preventing its possible growth to disastrous oportions.

The real solution to surplus funds lies in properly channelling them out the world investment opportunities on a long-term basis, spread over many areas as possible. Unfortunately most financial institutions conrned with the problem came up with recommendations of investment pportunities which may become available in major industrialized counies alone. We certainly welcome these recommendations, but they do ot rank highest in the list of our priorities. If an even distribution is ught, our countries should be recipients of the largest share. Since our nancial markets are limited and can absorb only a part of our surplus nds, massive industrialization of our countries can be the answer. We ve abundant capital, cheap energy, and the suitable territorial locations, ut we lack the necessary technology. We therefore stretch our hands out the industrialized countries in quest of their technical know-how, hich is indispensable if viable industries are to be established. Unfornately, the moment the energy crisis subsided with oil demand exhibitg some signs of decline, the enthusiasm shown earlier to assist us gave ay to hesitation. The massive industrialization of our countries entails e import of capital goods, technology, and related services from the dustrialized countries at a scale which will cause a tremendous inflow capital funds for them. Moreover the shift in oil demand from conming to producing countries, which will accompany this intensified te of industrialization, will mitigate the need for certain amounts of oil ports in the consuming nations themselves.

Next in our order of priorities comes the investment programme in gional and sub-regional areas and the Islamic world, comprising in all

no less than forty nations of the developing countries. The investments contemplated in these countries may achieve two main targets. The first is to raise the absorbtive capacity of those countries for imports from the industrialized countries. The second is to provide them with better opportunities to export raw materials to the oil-producing countries as well as to the developed nations. Thus their deficits with both industrialized and oil-exporting groups could be redressed, and the imbalances of the industrialized countries with the oil producers will also be mitigated.

What is left of the surplus or, putting it another way, the surplus of the surpluses, may finally be directed towards longer-term investment in the money and capital markets of the industrialized countries. It is worth noting that Saudi Arabia has considerable investments in world money markets. These investments, for all practical purposes, are tantamount to long-term investments. A great deal should be done in the reform of banking systems and government monetary policies of the industrialized countries. We are aware of the disadvantages and the pressures created by concentrating such transactions in few countries and institutions, but providing the incentives and the confidence to bring about a fair distribution of investment on a long-term basis is the responsibility of the consuming countries. A great deal in that direction depends upon collective or bilateral arrangements which may be undertaken for achieving the objective of industrialization in the oil-exporting countries.

The interdependence of the world's economies has now reached such an advanced stage that no one group of countries, let alone one country, can hope to solve its problems in isolation from the rest of the world. Every country's economy has a host of things in common with the economies of many other countries and a serious effort must be made to initiate the dialogue that will lead to practical solutions to our problems. Here I wish to repeat the proposal that I first made on behalf of His Majesty King Faisal's Government at the Sixth Special Session of the United Nations Assembly. That proposal entails having a limited high-level meeting, at the ministerial level, of the representatives of all the groups of countries. Its purpose will be to agree upon the subjects that require attention and prepare the agenda for a subsequent full-scale meeting, in which every country may be represented.

These proposed meetings, if arranged and conducted with genuine good-will and sincerity, may provide us with the ever elusive answers to many of our international problems. It will be to our credit, producers and consumers alike, if constructive efforts are now made to take the proposal from the stage of debate to that of actual implementation.

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The US mid-term elections

PETER STRAFFORD

WATERGATE has now taken its toll of the Republican party. In the mid-term elections on 5 November, it lost ground to the Democrats in almost every part of the country, in the Senate, in the House of Representatives, and among the state governors. The Democrats are now in the strongest position they have had since they lost the Presidency in 1968, with at least 62 of the 100 seats in the Senate, 291 of the 435 in the House, and 36 of the 50 governorships.

These results show the depth of the disenchantment with the Republicans, partly over their association with Wategate, and partly over their handling of the economic situation. But they do not show any corresponding confidence in the Democrats, with voter turnout (38 per cent) the lowest for many years, even by the standards of mid-term elections. And they leave many questions unanswered about the course of American policy over the next two years, as both parties gird up for the 1976 presidential election.

The new Congress has a more liberal slant to it, and many of its members will be wanting it to take the lead on major policy matters, particularly the economy. Congressional appetites have already been whetted by the struggles for power with Mr Nixon and, more recently, President Ford. There is, besides, an awareness that if the economy is still in a bad way in two years' time, the Republicans will be doing all they can to put the blame on the Democrats, with their overwhelming control of Congress.

But there is no such thing as a Democratic programme for legislation. Each Democrat has his or her own view of what should be done about, for instance, the economy, and it has always been notoriously difficult to

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get them to agree, particularly with a Republican in the White House. The last time that there was a comparable situation was after the 195 elections, in the closing years of the Eisenhower Presidency. The Democrats had big majorities then, too, but were unable to unite in the face o Eisenhower's vetoes.

Facing them this time is a President who, while appreciated as contrast to his predecessor, has yet to show any great capacity for leadership or imaginative action. Mr Ford's own natural bent is conservative and he is not likely to sympathize with many of the ideas being discussed by Democratic candidates in the election campaign. In dealing with the economy, for instance, his inclination is likely to be to regard action against inflation as the main priority, while many Democrats are more concerned about the effects of inflation.

It is an explosive mixture, especially as both sides have their eyes on 1976. Since the elections, there has been much talk of co-operation and compromise and this will be a chance to test Mr Ford's declared willingness to meet Congress half-way. He himself is used to the ways of Congress, and he has made a point of announcing that Pennsylvania Avenue, which links the White House to Capitol Hill, is now to be a 'two-way street'. But the trouble is that, after his first few months in office and a number of ill-judged moves, congressional leaders are disinclined to respect his political judgement, and still less, defer to it.

Mr Ford's difficulties

Mr Ford has not had an easy time of it during his first few months at the White House. He took office with little notice, without the time for preparation that most incoming Presidents have, and he took over a discredited and demoralized Administration, run down after the long months of Watergate. He immediately came face to face with a serious economic crisis, both in the United States and in the world at large. Now as a result of the elections, he faces a Congress which is overwhelmingly Democratic, in spite of the fact that he travelled all over the country campaigning for Republicans.

Many of Mr Ford's difficulties are, however, of his own making. When he took over last August, most of the country heaved a sigh of relief at the end of the Watergate scandal, and greeted him as the perfect contrast to Mr Nixon. Washington immediately began to look a different place. Mr Ford made it clear that he wanted to make a clean break with the secretive and antagonistic style of his predecessor, and this was widely welcomed. Republicans perked up, and Democrats wondered if they were going to be cheated of the victory they had been expecting in the mid-term elections.

Mr Ford got good marks for his nomination of Mr Nelson Rockefeller as Vice-President and his decision to grant amnesty, under certain con-

jitions, to Americans who had gone abroad or underground to avoid serving in Vietnam. Mr Rockefeller appeared, at the time at least, as a man who was both able and untainted by Watergate-type scandals. His choice was a sign that Mr Ford was sure enough of himself to take on a man with a strong personality and with undoubted presidential aspirations of his own.

The amnesty offer ran into objections from two directions, from such right-wing bodies as the American Legion which opposed anything of the sort, and from most of the deserters and draft evaders themselves who did not like the conditions attached. But it was a sign of political courage in Mr Ford. It was a departure from his own past views on the subject, and suggested that he was capable of taking a broad national view of a divisive problem.

But then came the pardon of Mr Nixon on 8 September. It came after Mr Ford had said that he would not consider a pardon until the legal processes had been gone through. It came without any consultation between Mr Ford and Republican leaders in Congress—or with anyone else. It shocked people across the country, and cast a pall over Republican candidates which they never managed to shake off. By his decision, or at least by the timing of it, Mr Ford had revived Watergate as an issue, linking his own Administration and the Republicans in general to the Nixon era.

Mr Ford later tried to make amends, in particular by his decision to go to Capitol Hill to testify on the pardon to the sub-committee of the House Judiciary Committee. An appearance of this sort by a President in office was apparently unprecedented, and it was clear evidence of his willingness to be conciliatory towards Congress. But his explanations provided little that was substantially new, and they could not remove the impression of a false step, either in Congress or in the country generally.

Mr Ford said then, as he had said when he announced the pardon, that his aim had been to prevent a situation in which a former President went on trial. He talked of turning the nation's attention away from the 'pursuit of a fallen President' and concentrating it on the 'urgent needs'. He insisted that he had not made a deal with Mr Nixon about a pardon. In fact, there has been little to suggest a deal of this sort. Criticism has centred on the unawareness Mr Ford has shown both of the seriousness of the whole Watergate affair and of people's shocked reaction to it.

Mr Ford also ran into trouble over the agreement with Mr Nixon over the latter's tape recordings and papers. This agreement, made at about the time of the pardon, enabled Mr Nixon to remove his records to California and control access to them; it allowed him to destroy any of them after 1 September 1979, and provided that all of them would be destroyed on his death or on 1 September 1984, whichever came first.

There was an angry congressional reaction to these terms, because of

the prospect that they would prevent the full details of Watergate from ever becoming known. Mr Ford back-pedalled and suspended the handing over of the records, while moves were made in Congress to supersede the agreement and maintain government custody of the tapes and papers. Characteristically, Mr Nixon started legal action to force observance of the agreement.

The biggest problem facing Mr Ford, however, has been the economy. Prices have been going up, unemployment has been rising too, and, though no one likes to mention the word officially, there have been all the signs of a recession. But Mr Ford's reaction to the situation has been widely felt to be ineffective, and this was one more reason for the poor showing made by the Republicans in the elections.

Mr Ford spoke boldly of requiring people to 'bite the bullet'. But his main proposal, for a five per cent tax surcharge on higher incomes, ran into immediate opposition in Congress and may well not be approved there. The rest of his package seemed unlikely to make much difference to the economy. He called, for instance, for voluntary restraint by energy consumers and for measures to promote industrial expansion. The point that has stuck in people's minds is his gimmicky idea of 'WIN' buttons, standing for 'Whip Inflation Now', and these have given a field day to cartoonists and humorous columnists, all of whom emphasize their ineffectiveness.

The cover-up trial

In a sense, Watergate came to an end last August, when Mr Nixon resigned from the Presidency. But it lingers on as a presence on the American scene, and will have its effects for some time to come, putting a premium on honesty, or at least the appearance of honesty, in politics. Meanwhile there is the trial in Washington of the cover-up case which was at the heart of the scandal, with three of Mr Nixon's closest associates, Mr H. R. Haldeman, Mr John Ehrlichman, and Mr John Mitchell, all in the dock. It is going to be a long trial, in the course of which many of the Watergate tapes have been or will be played, and it serves as a reminder of the way things were run in the Nixon Administration.

Mr Nixon was originally named as an unindicted co-conspirator when the indictments were handed down by the grand jury. But for Mr Ford's pardon, he might have found himself indicted too after his resignation. As things are, there is some interest in whether and how be might be brought to testify, as several of the defendants want him to be. Much of their case appears to rest on the claim that they were simply carrying out his orders.

Mr Nixon has, however, been seriously ill in California, with phlebitis and subsequent complications. He was trying to avoid having to testify even before his recent operation. Since then, his case for not doing so has

been strengthened, and there has been talk of recording his testimony in California on video-tape, and then playing it in court in Washington. By all accounts, Mr Nixon's illness must be at least partly due to the strain of his last months in office, as he struggled against the pressures of Watergate, and the let-down when he finally lost the battle.

Mr Nixon still gets his presidential pension, like any other ex-President, and a number of other advantages. One of the points made in the final days of his Presidency was in fact that he would lose the pension if he was forced out of office by impeachment and conviction. But the $850,000 which Mr Ford asked Congress to approve for the expenses of his transition to private life was very sharply cut, ending up as no more than $200,000.

Mr Rockefeller under scrutiny

An area in which the effects of Watergate are clearly visible is the long drawn out investigation of Mr Rockefeller's nomination as Vice-President, and the uncertainty of whether he will be finally approved. People are now taking a far more serious view than they ever did over large gifts of the sort that he has made over the past years, and particularly over such incidents as the secret financing of the book attacking Dr Arthur Goldberg, Mr Rockefeller's Democratic opponent in the 1970 election for the governorship of New York state.

The initial stages of the Rockefeller hearings were relatively uneventful. He was criticized over many of the things he did as Governor of New York, over his handling or mishandling, for instance, of the Attica jail uprising of 1971, which ended with the storming of the prison and the indiscriminate shooting down of both prisoners and hostages. There was also the case of Mr Judson Morhouse, a former Republican chairman for New York state, who received loans from the Rockefellers and was pardoned by Mr Nelson Rockefeller in 1970 after being convicted in a liquor licence case. But this, too, seemed to pass off at the time without too much damage to Mr Rockefeller's reputation as a man who had kept his hands clean.

The mood changed with the revelations about the Goldberg book and about the large gifts he had been making to people who had either been employees of New York state or were on his staff when he was Governor. Dr Henry Kissinger, for instance, had received $50,000, and Mr William Ronan, the Chairman of the Port Authority of New York and New Jersey, no less than $625,000 in all. These gifts and loans were paid out over 17 years, but even so they came to a lot of money, and they showed the sort of power that could be wielded by a man with Mr Rockefeller's resources. The notion that a rich man was automatically above reproach because he could not be bribed began to appear rather inadequate. Mr Rockefeller's gifts showed that he had the possibility, even if it was no

more than a possibility, of virtually buying people's loyalty. These disclosures were made to look worse by the fact that they coincided with the discovery that Mr Rockefeller had at least known about the Goldberg book, something that he had denied before. The book was written by Mr Victor Lasky. It was financed by Mr Laurance Rockefeller at a cost of $60,000 by means of a company specially set up for the purpose, and the whole operation looked suspiciously like one of the 'dirty tricks' specialized in by Mr Nixon's supporters.

There have, of course, been calls for the withdrawal of Mr Rockefeller's nomination. At the very least, there are bound to be some thorough hearings. But neither Mr Ford nor Mr Rockefeller has shown any sign of giving way to the wave of publicity—though Mr Rockefeller had the chance of an elegant way out when his wife was suddenly discovered to have breast cancer, a few weeks after Mrs Ford had the same operation. Whether or not Mr Rockefeller finally gets the job of Vice-President, the incident is as clear an indication as any that practices that were formerly regarded as normal in the United States are now a potential liability.

The issue of campaign contributions

Such things showed in the election campaign, too. Huge sums continued to be contributed to the various campaigns. But the sources of campaign funds became a big issue in some areas, and the big corporations which, in the past, have not hesitated to flout the law by making direct contributions, were more careful this time. Candidates such as Mr Ramsey Clark, the Democrat standing for election to the Senate in New York state, and Mr Robert Steele, standing for the governorship of Connecticut, limited the contributions they would accept to $100 a person, as a means of making it clear that they were not beholden to any particular interest.

Starting next year, the whole field of campaign contributions will be changed by a new spending law, signed by Mr Ford this autumn. The law was the outcome of hard negotiations in Washington, and Mr Ford himself has made it clear that he does not much like it. But, he said, 'There are certain periods in our nation's history when it becomes necessary to face up to certain unpleasant truths. We have passed through one of those periods. The unpleasant truth is that big money has come to play an unseemly role in our electoral processes.'

The law sets limits on the amounts that can be contributed by individuals or groups to campaigns. One person, for instance, may not contribute more than $1,000 to any candidate in a federal election, or more than $25,000 to all candidates for federal office in one campaign season. No organization may contribute more than $5,000 to a candidate. But the main innovation is to provide for public financing of presidential election campaigns, with the money coming from a system by which any-

one filling in an income tax form can put a tick in a certain place if he agrees to $1 of his tax money going to election financing. The nominees of the two big parties will each get $20m. for their campaigns. Minor party candidates will get an amount corresponding to their voting strength in the past. There will be no public financing for elections to Congress, at least for the time being. Opponents of all public financing are holding out on this point, and they have the backing of Mr Ford.

In this year's campaign, there was a certain pressure on candidates who were known to get contributions from big business. But it was remarkable for the way Republicans were in difficulty almost all over the country, regardless of personal and regional differences. In the end, the Democrats won Senate seats in such different states as Vermont, Colorado, Florida, and Kentucky. In Vermont, Mr Patrick Leahy was the first Democrat elected to the Senate since the Civil War. In Colorado, the Democratic candidate was Mr Gary Hart, who was Senator George McGovern's campaign manager in 1972, and might have seemed a symbol of that disastrous attempt.

There were, of course, pockets of Republican resistance, the most spectacular being the defeat of Mr John Gilligan, the Democratic Governor of Ohio, by Mr James Rhodes, a former Republican Governor. But generally, Democratic candidates were able to take advantage of a national trend. Many of them campaigned as 'new faces' who would do something about corruption and unresponsiveness in Washington.

Among the voters, there was in general a marked lack of enthusiasm for the event, and little confidence that the Democrats would improve things much, despite their promises. There was no doubt that Watergate had made a deep impression on them, by showing the extent of corruption and indifference to people's needs in Washington, and the gloom was further compounded by the country's economic difficulties. The outcome was that many people simply stayed at home on election day. Others went out to vote for the Democrats as the lesser of the two evils, or in the hope that a change might do some good.

Several of Mr Nixon's most stubborn supporters in the discussion of impeachment lost their seats. Of the eleven Republicans who originally voted against the article of impeachment accusing Mr Nixon of obstruction of justice in the House Judiciary Committee, four were defeated, all of them after campaigns in which their vote was a big issue. The same happened to some other Republican members of Congress who had spoken out strongly for Mr Nixon.

From the Democratic point of view, some of the most significant gains were those that they made at state level, not only among the governors, but in the state legislatures. Among the governors, they won such big states as California and New York, and ended up with eight of the ten

biggest—all except Ohio and Michigan. In the state legislatures they were even more successful, leaving the Republicans in control in only six states, of which Kansas is the biggest. These wins could make a considerable difference in the run-up to the 1976 presidential election, because a strong base at state level is always a help to aspiring candidates.

The Democratic nomination

Before they can take advantage of all this, however, the Democrats have to reach agreement on their own candidate for the Presidency, and they are a long way from that. The problem has been simplified in one way, of course, by Senator Edward Kennedy's announcement that he will not under any circumstances be a candidate. This saves the party from the dilemma of deciding whether the Chappaquiddick incident is or is not too great a handicap. But it means that they have no obvious front-runner, and it looks as though there will be a number of people trying to make their mark in the next year or so.

Many of them are in the Senate. There is Senator Henry Jackson, for instance, who ran an unsuccessful campaign for the nomination in 1972, but who is known as an able Senator and has already started to build up support in the party. Mr Jackson is a prominent hawk on defence spending and relations with the Soviet Union. He has also made a name for himself in the Jewish community by his strong line on Jewish emigration from the Soviet Union. Mr Jackson's drawback is that he is not a colourful figure in himself and lacks popular appeal.

Other aspiring Senators are Senator Walter Mondale of Minnesota, a leading liberal, and Senator Lloyd Bentsen of Texas, much more conservative. Neither of them is very well known in the country as a whole, though both have been trying to promote themselves. Then there are such newcomers as Mr Dale Bumpers of Arkansas, formerly Governor and just elected to the Senate, and Mr John Glenn, the former astronaut, who has been elected from Ohio. In the background there are always the established, but partly discredited, figures of Senator Edmund Muskie, Senator George McGovern, and Senator Hubert Humphrey.

Even this list shows what an open race the Democratic nomination is. But it is not all. Outside the Senate is Mr George Wallace, just re-elected as Governor of Alabama and still nursing national ambitions of some sort. There are Mr Reuben Askew, the liberal Governor of Florida, and Mr Jimmy Carter, just finishing as Governor of Georgia. There are Mr Hugh Carey, the newly elected Governor of New York, and Mr Edmund Brown, the new Governor of California, neither of whom has much of a following so far, but whose positions automatically give them a chance of being considered. There is Mr Kevin White, the Mayor of Boston, and many others waiting on the sidelines for their chance.

Mr Ford's prospects

On the Republican side, the situation looks much more simple. Mr Ford is there and has given every sign of intending to stand for a new term in 1976. His active—though markedly unsuccessful—campaigning for Republican candidates in this year's election looked like something of a dry run. It enabled Mr Ford to make some contacts with party officials across the country, and by his efforts to provide a contrast with Mr Nixon.

Much can happen, however, in the next two years. Mr Ford might always decide that enough was enough and withdraw, particularly if his wife does not recover completely. Even if he had already made up his mind to do this, he would hardly let it be known, since it would weaken him, as a lame-duck President, for the rest of his term. Nor, on his form so far, can it be excluded that he might make some major mistake, or prove totally ineffective, with the result that the Republicans felt that they were better off without him.

In that case, there is always Mr Nelson Rockefeller, who got a boost from his nomination as Vice-President, but has since suffered a serious blow from the revelations about his ways of distributing money. There is Mr Ronald Reagan, who will give up being Governor of California at the end of the year. There is Senator Charles Percy, the liberal Republican from Illinois, who had been active as a presidential hopeful until the nomination appeared to be pre-empted by Mr Ford. There is Senator Howard Baker of Tennessee, who emerged into the limelight as the number two on the Senate's Watergate committee.

Much is going to depend on what comes of the confrontation, if such it proves to be, between Mr Ford and the Democratic Congress. On his side, Mr Ford now has a chance to show that he is really his own man, and cast off the last relics of the Nixon Administration. One of his main troubles has been his reluctance, for one reason or another, to make too clean a break with the past. He now needs to transform the White House into a more efficient mechanism than it has been so far. He is also expected to decide whether he wants to keep his Cabinet as it is now, virtually as it was under Mr Nixon, or bring in some of his own men. There seems to be little probability that Mr Ford will try to extend White House power over the rest of the Administration the way Mr Nixon and his associates did. The question is whether, after his long running-in period, Mr Ford can evolve effective working methods of his own which bring him in touch with opinions outside his own immediate circle of conservatively minded Republicans.

On Capitol Hill, there is no question of his being faced with a 'veto-proof' Congress, even if there ever was. But it will be a touchy Congress. Mr Ford has already had a chance to appreciate this in the confrontations he has had over United States arms aid to Turkey in the wake of the Turkish invasion of Cyprus, and over the issue of pressing the Russians

to make concessions over Jewish emigration. On both questions the Administration had to give ground. There are likely to be other issues on which Congress will insist that its views are taken into account by the White House.

This was a process which began in the days of Mr Nixon, in response to his cavalier attitude to Congress, and his subsequent weakness as Watergate became more and more serious. It culminated in the War Powers Act, passed over his veto in November 1973, which set definite limits on a President's powers to engage in military operations abroad. It has survived the transition to Mr Ford and is something that he will have to live with.

It is also a matter of some importance to the rest of the world, including America's allies. Much of the emphasis in Washington in the next two years is going to be on dealing with economic problems. Neither party has any clear idea of how to handle them, but one proposal that is very generally heard is for budget cuts and particularly cuts in defence appropriations. The Pentagon, at least, has a fight on its hands, and one that will be watched with some interest in the rest of the world.

Watergate and American foreign policy

THEODORE C. SORENSEN

An American with close knowledge of the Presidency assesses the impact of the Watergate crisis on US relations with the outside world: though the damage was real, it was circumscribed by the healthy constitutional process that brought the discredited executive down.

FEW developments in the history of America's internal politics have caused such widespread comment, concern, and confusion abroad as the investigation and departure of her 37th President, Richard M. Nixon. In the course of travels undertaken in my capacity as a lawyer, I have encountered countless citizens and officials in other continents who were unable to understand why the United States was in such turmoil, what the process of impeachment was all about, who was behind the forced resignation of Mr Nixon, and what effect it would have on foreign policy.

Before these words appear in print, still further facts may be revealed that alter this ever-changing kaleidoscope. Like millions of others, I was both fascinated and horrified by the evidence of incredible corruption and criminality in the White House I had known so differently. Like them, I have only the knowledge of those events that could be learned through the news media. The inside story I gladly leave to the participants. Some of them will have ample time on their hands to write about it.

But on the basis of what is so far known to outsiders like myself, the following conclusions are offered without personal or partisan bias. The reasons underlying many of them are set forth more fully in a small book I have written which MIT Press will be publishing early in 1975.

It should first be stressed that the crimes and crises which are lumped together under the label of 'Watergate' were very serious and very real. Some who reside in lands not familiar with our traditions of independent political opposition, constitutional checks and balances, and individual privacy have asked me whether our press had exaggerated the facts. Not at all. The pattern of Presidential behaviour ultimately exposed by the Congress and courts, and largely documented by Mr Nixon's own tapes, revealed nothing less than an attempted alteration of our form of government by stealth—a successful corruption of our political process, a usurpation of our basic rights of liberty and privacy, a subversion of our

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Mr Sorensen, former Counsel to President John F. Kennedy, is an attorney in New York City. This article appears simultaneously in German in *Europa-Archiv*.

democratic institutions and constitutional balance, and a gross misuse of governmental power and agencies.

Constitutional confrontations

In the course of uncovering this pattern and the specific incidents of wrongdoing of which it was comprised, and bringing the perpetrators thereof to justice, the United States was forced into a series of constitutional confrontations more serious than any since her Civil War of over a century ago. All were without precedent. President Nixon rejected several Congressional subpoenas; fired his first Special Prosecutor; insisted that the second had no right to subpoena evidence from him; was named by a federal Grand Jury as an unindicted co-conspirator; considered rejecting a Supreme Court order to turn over tapes, just as he had rejected a lower court order; vowed to stay in office even if only one Senator opposed his conviction of impeachable offences; and displayed behaviour sufficiently erratic to cause the Secretary of Defense and others to stay close to their offices lest a real or manufactured nuclear confrontation or some other improper command to the military be ordered. Each of those crises was filled with explosive danger. But in the end the rule of law and the will of the public were peacefully upheld. Without either mobs or tanks in the streets, the government changed hands.

Mr Nixon's politics and policies, including his foreign policy, were not in any way the basis for the pressure on him to resign. There was no 'lynch law' procedure in operation, as the London *Times* charged in a 1973 editorial. On the contrary, his resignation came late enough to leave no doubt in the minds of overwhelming majorities in both houses of Congress and in the country that his complicity in clearly impeachable offences was well established. While the record would have been even stronger had the Congress completed the impeachment and conviction process, the House by a vote of 412 to 3 did accept the unanimous and massively documented recommendation of its Judiciary Committee that Richard Nixon should have been impeached, convicted, and ousted.

Despite a substantial public furore throughout the preceding year, with a majority turned against the President in public opinion polls, the Congress did not rush to oust him. The impeachment proceedings, once begun, were painstakingly slow, careful, never partisan. Comparatively trivial or unsettled issues, unintentional or occasional lapses on Mr Nixon's part, or actions subject to more than one interpretation, were omitted from the Articles approved against him.

The final and most effective pressures inducing Mr Nixon to resign came entirely from his own party and his own staff. He was not, emphasized the ten Republicans on the House Judiciary Committee who finally turned against him, 'hounded from office by his political opponents and media critics'. The state of the economy, his popularity, his wisdom, even

his character, were not the basis for either the impeachment hearings or the pressure to resign. Nor was he forced out for conduct characteristic of previous Presidents. Previous Presidents committed grievous errors, but not high crimes and misdemeanours.

Richard Nixon himself observed that he had seen 'the constitutional process through to its conclusion', that 'the constitutional purpose has been served' and that the matter need not be prolonged. His subsequent pardon for any federal crimes committed was not a condonation; it did not cover the non-criminal offences for which his impeachment was also recommended by the Committee; and his eager acceptance of that pardon for criminal offences can only strengthen the verdict of history that he was guilty.

Vietnam of silent majority

While foreign policy was not a cause of the pressure for Mr Nixon's resignation, Watergate was not wholly unrelated to the country's equally painful experience in Vietnam. Indeed the Nixon team's decision to break into the Watergate offices of the Democratic Party opposition in 1972 and into the offices of the one-time psychiatrist to Daniel Ellsberg (the man who gave the secret Pentagon Papers to the press) in 1971 has much in common with the Johnson team's decision in 1965 to intervene in Vietnam with massive combat troop divisions and bombers. To this I would also add the Kennedy team's decision to launch the ill-fated Bay of Pigs operation against Fidel Castro in early 1961.

All three reflected a gung-ho approach that disregarded Congressional consent, public opinion, moral considerations, the possibility of failure, adverse advice, and unfavourable intelligence, and rejected as 'soft' any counsel of caution or re-examination. Not surprisingly, an enterprise launched with that spirit was sure to be managed in secret, kept alive with illusions, and justified to the public with half-truths.

Fortunately Kennedy chose to abort the Bay of Pigs invasion before it got out of control, and accepted full blame for its launching (which unfortunately cut off debate about the whole issue of covert operations). But the fall-out from America's long, brutal involvement in Vietnam poisoned much of US society. Massive protests, some of them violent and lawless, increased the federal Government's concern for internal security and further embittered both sides of the debate. Paranoia and isolation increased at the White House, particularly after Nixon's invasion of Cambodia. The President's distrust of the press, the opposition, and even his own bureaucracy grew. Every news-leak caused a fury; every critic had suspect motives. The creation by the President of his own secret investigative units, drawing upon CIA resources and experience, was the next logical step. Thus are 'plumbers' made, not born.

To be sure, both the Vietnam and Watergate enterprises failed of their

own excesses. Prolonged exposure revealed their ultimate dependence upon methods contrary to our national tradition. An aroused public helped cause Lyndon Johnson to withdraw from the Presidential campaign of 1968. An aroused public helped cause Richard Nixon to withdraw from the Presidency in 1974. 'Watergate,' former Secretary of the Interior Walter Hickel has written, 'was the Vietnam of the so-called silent majority.'

Effects on foreign policy-making

Moreover, like Vietnam, Watergate unavoidably had an impact on US foreign policy. First, it had its consequences during the period of crisis. US decision-makers and opinion leaders were preoccupied with this single subject. For over a year, the President thought of little else, had time for little else, was motivated by little else. Watergate monopolized the thinking of Congress, dominated the headlines in the press, and captured the attention of official Washington. Not even Dr Kissinger escaped engulfment in this rising tide.

Reports that all decision-making, including foreign policy, was 'paralyzed' were exaggerated. But there is no doubt that, particularly in the White House, many questions were not given the time and thoughtful consideration required, others were decided on a basis of political and public relations considerations, and others were unduly delayed. It was not a time for innovation or even patience. Remembering how the Kennedy White House in the autumn of 1962, because of its preoccupation with the Cuba missile crisis, was able to devote insufficient time and attention to the termination of the Skybolt missile project, and remembering further the long train of adverse consequences that flowed therefrom, I can only wonder what seeds planted in haste during Watergate may in the future produce poisonous fruit.

The nature of the US Executive Branch required direction and leadership from the top. Throughout the Watergate crisis, that was lacking. Particularly in the increasingly difficult and increasingly important areas of energy, food, inflation, monetary arrangements, and other international economic problems, a lack of co-ordination and consistency in approach was apparent. The Secretary of State, Dr Kissinger, undoubtedly enjoying increased independence during the crisis period because of the President's preoccupation, nevertheless could not impose his will upon his equals at the Treasury, Agriculture, Interior, and other departments. Nor was the Congress willing under those circumstances to delegate to the President as much discretion—on the Trade Bill, for example, and the Soviet most-favoured-nation problem—as it had customarily given in the past.

'One cannot have a crisis of authority in a society for a period of months without paying a price somewhere along the line', said Dr Kissinger.

His involvement in the wire-tapping of White House aides and others brought him into the Watergate-related arena of combat and raised antagonisms and suspicions not fully settled after his emotional press conference in Salzburg on 11 June 1974. He acknowledged in a background press briefing that the country's preoccupation and *internal* division had weakened its bargaining posture in the Strategic Arms Limitations Talks (SALT II). The absence of strong White House decision-making was also reflected in the delays and difficulties handicapping agreement within the Government on the positions to be taken at those talks.

Simultaneously there was suspicion, not altogether ill-founded, that the President was playing impeachment politics with foreign policy; that his trips to Moscow and the Middle East produced little of substance but were undertaken primarily to demonstrate his personal indispensability. There was scorn for his attempts to practise summitry at the Pompidou funeral. There was suspicion of the nuclear alert called in the midst of the Yom Kippur war in the Middle East, and of his claim that it was the country's 'most difficult crisis since the Cuba confrontation'. There was fear that he would act on world affairs in a manner designed to hold together his conservative supporters in the Congress—dragging his feet, for example, on a further dialogue with China, or a comprehensive nuclear test ban treaty with the USSR, or the exploration of renewed relations with Cuba, or a new Panama Canal treaty.

All this fear, scorn, and suspicion was unhealthy—unhealthy for the United States, and unhealthy in its effect on our conduct and posture abroad. In addition, many key positions went unfilled for months, both because the White House was busy on its Watergate defence and because many able people did not wish to join or remain in an Administration that was labouring under so dark a cloud. (Nor was it a time to fill ambassadorial posts with campaign contributors in the light of admitted criminal violation of statutes prohibiting the offer of government posts in exchange for political donations.)

Credibility gap closed

But finally the cloud lifted. An orderly and peaceful transition from Nixon to Ford occurred without difficulty. The new President expressed his strong backing of Secretary Kissinger and reaffirmed the basic goals of American foreign policy. He is not as experienced in international affairs as his predecessor. Nor is he sufficiently dominant in Washington to give either Kissinger or the more controversial and vulnerable aspects of American policy the kind of protection that a strong President Nixon would have provided.

But the Nixon of 1974 was not a strong President. American foreign policy could be neither certain nor effective with his Presidency under

constant siege and attack. A caretaker government run by General Haig and Press Secretary Ziegler was a cripple, not a leader. Many of the fears and suspicions of the American people—including a concern that foreign policy, even military action, might be used by Nixon as an instrument to keep himself in power—were spreading to other nations. Many people around the world who had paid little attention to Watergate because of their own problems, and who had admired Nixon's foreign policy, began to question his ability to play a leadership role in the world community.

A record of evasion and concealment in domestic affairs does not enhance a leader's credibility in foreign affairs. Foreign diplomats and others who read the published transcripts of Mr Nixon's tape-recorded conversations were disturbed by the indecisive, amoral, and constantly political tone of his conversations. Two sentences—'I don't give a [expletive deleted] about the lira . . . There ain't a vote in it'—spoke volumes about the depth of his interests. For the sake of American foreign policy, it was well that the Watergate nightmare finally ended.

When it did end, successfully and peacefully, the United States achieved, if anything, increased stature. The process of deposing an executive no longer respected appeared unduly prolonged to those accustomed to swifter machinery such as a 'no confidence' vote under the parliamentary system. But there was nevertheless increased admiration for the responsible and orderly method by which America changed Presidents in mid-term, and for the convincing demonstration of the freedom and independence of our legislative branch, our courts, and our press.

Typical of the comments made in the West European media was the editorial concluding that, as a result of America's successful handling of this issue, no realistic person could be 'unaware of the strength of the political system of the United States'. The fact that this editorial appeared in the Italian Communist party newspaper, *L'Unità*, is further indication of the strong impression this accomplishment made on others. For different reasons, South Vietnam's General Thieu and the Soviet party General Secretary Brezhnev were downcast. But most of the world was glad that the United States had cleansed and strengthened her position.

Lessons for the future

The crisis of Watergate is hopefully over. The crisis of the American Presidency is not. It is too early to conclude, as the West German *Die Welt* did on 9 August, that 'the institution of the Presidency is to be subordinated more strongly, perhaps much more strongly, to the influence of the Congress'. Many are urging such a change. But time will tell. Merely removing the perpetrators of Watergate, without changing the environment in which they operated, will probably teach some future White House occupants the necessity of not trying something similar. But it may only teach others the necessity of not being caught.

No doubt completion of the total impeachment and conviction process by the House and Senate would have helped open the eyes of some of those at home and abroad still doubting Mr Nixon's guilt and, more importantly, helped formulate more precise standards of Presidential conduct for the future. No doubt completion of the criminal justice process in Mr Nixon's case instead of an undoubtedly compassionate but nevertheless premature pardon would have helped determine the dividing line between criminal and lawful activity for future Presidents. Nevertheless, even had each of these processes run its full course, Watergate represented something more than a series of crimes and misdemeanours, high and low, and basic questions which it raised about the role of the Presidency in our system would still have required answers.

The dangers symbolized by Watergate did not begin and will not end with Richard Nixon. An over-reaction to his singular deeds in the form of structural or institutional alterations would be dangerous. But in the last decade one President on his own say-so sent more than half a million Americans off to kill and be killed, and another threatened the very existence of our traditional system and liberties. We cannot remain silent. We cannot afford to 'put Watergate behind us'.

Instead of punishing or weakening the Presidency for the sins of Richard Nixon, its power should be renewed but held accountable—more closely watched, more precisely defined, more carefully kept within constitutional bounds, and more clearly answerable to the electorate, the Congress, and our other institutions. Periodic accountability of sorts is provided by our quadrennial Presidential elections. Ultimate accountability is provided by the impeachment process. What we need is a system of daily accountability for Presidents, short of impeachment and between elections, to maintain a routine watch on their use of power.

The Congress must be less willing to delegate unbridled discretion to the President and more willing to exercise its own constitutional powers: including the power to confirm Cabinet members, the power to prune White House staff functions, the power to reduce executive branch secrecy, and the power to oversee the operations of the FBI, CIA, and other agencies. The Congress, courts, and American public must be less deferential to the mystique of the Presidency, requiring each occupant of that office to earn respect and to prove the necessity of his every invocation of those heretofore magical words 'national security'.

America's role in world affairs requires a strong President with adequate powers. If those powers are not reduced but held more closely accountable, the American people will have greater confidence in their leadership, which in turn can pursue a more consistent and constructive course abroad. If the ordeal of Watergate can ultimately have this result, awakening our national watchmen and strengthening our national purpose, history may yet regard it as a blessing instead of a curse.

War or peace in the Middle East?

LAWRENCE L. WHETTEN

Given that neither Arabs nor Jews can now expect to gain a military advantage on the scale of Israel's victory in 1967, there is some reason to hope that both sides will reassess more soberly the realities and risks of renewed war.

WHAT are the military prospects for the resumption of fighting in the Middle East? The disengagement agreements imposed serious constraints on all the belligerents, but also indicated the probable courses of action for any renewed conflict. While the accords prescribed the withdrawal of forces and the necessary mechanisms of supervising the partial disengagement, they failed to impose ceilings on either the quantity or quality of arms supplied by external powers. All the belligerents are better armed and prepared now than before the October war. Country by country surveys frequently conducted by the press indicate this quality upgrading of forces and equipment. But such assessments often omit discussion of the limitations of the new weapons and force postures.

For example, Israel has submitted a large shopping list to the United States, including additional aircraft and air defence systems as well as advanced electronic equipment, the Lance surface-to-surface missile, and precision munitions, such as 'smart bombs'. Whilst the request for Lance has been declined and the aircraft deliveries delayed, Israel has received electronic jamming equipment capable of covering the entire six frequencies encountered in the notorious Soviet SAM-6. The Shrike anti-radiation missile has also been delivered. But both offensive systems can be downgraded by skilful use of counter-measures by defending crews. Further, it is theoretically conceivable that they can be defeated by intensive missile and radar concentrations that incorporate overlapping redundancies within the total air defence envelope. Most important, no effective counter-measure has been devised against the optically aimed AAA guns which accounted for over 50 per cent of the Israeli air force (IAF) losses in the October war.

Stand-off precision weapons with which the IAF has been provided also have inherent problems. Optically guided bombs, such as the Walleye,

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can be used only under favourable weather conditions, when sharp light and dark contrasts exist. Laser-guided systems can be used only when the target is clearly illuminated, meaning that either a forward observer or the pilot himself must remain within view of the target and continuously 'paint' it until impact—a hazardous undertaking in either a hostile ground or air environment. None the less, there are no such weapons in the Arab inventories.

Lessons of June 1967 and October 1973

The Israelis' aircraft requests are a product of their emphasis on air power since their successful destruction of the Egyptian air force during the June war. This presumed pre-eminence of air power, however, has partially lost its lustre due to the lessons of the October war. Israel was unable to repeat the destruction of the Egyptian air force on the ground because of effective protective measures. On the other hand, the Israeli air force was most effective in countering the Syrian armoured thrust in the opening days of the war. Yet it was able to penetrate Syrian air defences only at great cost in aircraft losses and was unable to crack the more massive Egyptian air defences until the ground forces actually crossed the Canal and neutralized individual batteries. While the June war was fought under optimum circumstances of desert warfare that favoured the flexibility and manœuvrability of the tank-aircraft team, the October war was fought in part on Arab terms, which hinged on static defences and minimized the role of air power.

On both the northern and southern fronts, then, Israeli arms requests may be judged in the light of partially misperceived concepts of operations. The front in Syria is less than 25 miles wide, flanked by impassable lava beds to the south and Mount Hermon to the north. The Israeli defence force (IDF) penetrated the light defences three kilometres behind the armistice line in the October war, but failed to pierce the main defences at the Saasa Line or the tertiary fortifications before Damascus. Whether this was because of pressure on the Sinai front or anticipated high casualty rates from the effectiveness of the static defences is not entirely clear. The uncertainties associated with the IDF's inability to penetrate the Saasa Line, however, underscore a major new calculation in any scenario of renewed fighting: the value of static defences which complements the Arab mode of warfare.

The Israelis learned from their first war with the Arabs the penalty of fighting a set-piece warfare from relatively static positions, where the Arabs could employ their advantage in numbers. (Israeli casualties in the October war of 2,500 killed and 80,000 wounded—43 per cent were officers—compared with Syrian and Egyptian losses of 25,000.) Accordingly, Israel has deliberately developed a national defence policy predicated upon 'open warfare', where the mobility and flexibility of armour

and aircraft can be stressed to maximum advantage. To this end the IDF has developed a unique command and control system, and a high degree of ingenuity and responsiveness among both officers and men. Formerly the United States has reinforced these advantages by guaranteeing Israel's technological superiority in weapons and equipment over any combination of Arab nations. During the October war, Soviet-supplied aircraft were clearly no match for their American counterparts in the IAF, however gallantly flown, and Israeli tanks were equipped with computerized range-finders and superior munitions that consistently defeated Soviet armour in tank duels. But the Israelis were unable to gain significant tactical advantages during the October war when they were forced to adapt to Arab conditions. The central question for both Arab and Israeli defence planners is which side will be able to gain the initiative and preserve it, thereby forcing the opponent to accept its mode of warfare.

On the side of the Arabs, several factors have strengthened their position since the October war. First, there is greater political unity among them than at any time in recent years. Localized differences persist, but the rewards for consensus on the Israeli question have apparently been learned. Second, this lesson has been reinforced by the astonishing power of the oil weapon. The credibility of oil as an instrument of political coercion has far exceeded the expectations of even the most radical Arabs.

A third factor in Arab planning is that the détente process will remain an overriding determinant in great-power calculations about renewed fighting. President Sadat reportedly informed several American observei that the linch-pin in his decision to risk war in October 1973 was h assessment that both great powers had sufficiently high stakes in th détente process to ensure that they would act jointly, if necessary, t prevent the complete collapse of the Arab position. His calculation wa vindicated by the exchanges between Washington and Moscow durin 22–25 October. However shallow the détente process may become r other areas, such as SALT, the precedent of its effective constrain against Israel during the October war and the value attached to the nev American connexion will probably figure prominently in future Aral risk-calculations.

A fourth planning factor is that Soviet policy has undergone a substantial change. The underlying objective of guaranteeing Arab militar parity as the basis for an equitable political settlement remains unchanged But until 1973 Moscow consistently refused to provide 'decisive weapons or those systems, such as advanced aircraft interceptors or SCUD surface-to-surface missiles, that would deter Israel from exercising her strategic option of bombing Arab cities. Before the October war, the Russians deployed a battalion of nuclear-capable SCUD-B missiles

Egypt, finally meeting Sadat's minimum conditions for the resumption of hostilities. Since the war, they have also supplied the Syrians with these missiles and with MIG-23 interceptors that can counter the Israeli Phantom bomber threat. The exact nature of the mix in manning crews remains unknown, but presumably the Soviet Union retains firm control over the employment of at least the missiles. The significance of this extension of Soviet commitments beyond Egypt is that it clearly signals Moscow's intention to achieve its original goal of ensuring Arab military parity.

A fifth factor is related to the latter point. The quality of Arab rearmament has seriously eroded Israel's earlier technological advantages, but known weaknesses persist. For example, until the MIG-23 is fully integrated with friendly identification radar (IFF), it cannot operate within the air defence envelope and can only be used in the strategic defence role. The Soviet FROG surface-to-surface rockets fired against Israeli villages during the war had insufficient accuracy to pose a serious threat, and the longer-range SCUD missiles will most likely be withheld for the nuclear option, if necessary. Soviet T-62 tanks firing from static positions are an inadequate supplement for artillery, because they use a fin-stabilized round that has a poor armour penetration capability. When mobile, the limited range and accuracy of the main gun requires rapid closure and severely restricts manœuvrability. Arab manœuvre battalions need greater mobile air defence protection to maximize their speed and shock. Finally, the Soviet anti-tank missiles that proved so effective in the infantry–tank duels on the East Bank of the Canal are relatively static systems, tied to the limited mobility of the infantry.

Despite these limitations, the Russians have conspicuously shifted the weight and quality of their rearmament efforts from the Egyptian to the Syrian front. There are probably several reasons for this. First, the Syrians fought well by IDF standards and by Israeli admission. They apparently have a greater flair for war than the more methodical Egyptians, warranting the risk of supplying advanced weapons. Second, there are rather obvious political motives for trying to discipline President Sadat and contain his seeming euphoria about his new American 'connexion'. In addition, it might be argued that it is Sadat's confidence in the détente commitment of the great powers and his concern with reopening the Canal that seem to have reduced his interest in renewed fighting and the necessity for massive Soviet arms. Moscow has replaced the destroyed Egyptian equipment, and two squadrons of MIG-25s have been introduced, but Sadat has firmly resisted appeals from hawkish quarters to seek at least the same quantities as supplied to Damascus.

The third reason for the shift in the quality of Soviet arms reflects the different political perspective of Egypt and Syria. Sadat is more willing to accept an interim settlement which allows the return of the Egyptian

flag to the East Bank of the Canal than Asad is to consider the return of Quneitra as only a temporary solution. The opening of the Canal itself symbolizes a vindication of Sadat's policies; the adjustment of the territorial dispute in the Sinai is less urgent. But Quneitra is an agricultural town which cannot be repopulated without its supporting farmland, still controlled by Israel. Thus, partly with Soviet contrivance, Sadat appears to be more peaceful and Asad more menacing. Finally, Soviet and Arab planners probably favour the Syrian front because of the tactical advantages anticipated from any renewed fighting.

Arab options

From the Arabs' position, there appear to be four plausible scenarios. The first might be the use of the oil weapon by the reimposition of production curtailments and selected boycotts. The oil weapon could be particularly effective this winter when the weather is expected to be unusually harsh in Europe. At any rate, for maximum impact the oil weapon must be used in the near future—before Britain, the Netherlands, and Norway become self-sufficient and when the present oil-sharing plan will impose the greatest burden on the United States. Moreover, to use oil coercively one or two years from now when the world might be in a serious economic crisis would be counter-productive.

A second plausible scheme would be a war of nerves: repeated threats of hostilities made credible by military alerts, manœuvres, and mobilizations. Several Arab observers have pointed out that Israel can ill afford to pay the costs of repeated mobilizations and, indeed, that the prospect of a second mobilization after the Arab feint in May 1973 was a contributing factor in the decision not to mobilize in October. On the other hand, increasing oil revenues can readily subsidize recurring Arab mobilizations.

A third option is the resumption of massive artillery shelling. The presence of the UN peace-keeping forces on the Golan Heights and the East Bank of the Canal would not be a serious deterrent, as has been demonstrated in the case of Cyprus. To preserve the element of surprise, the UN forces would probably not be asked to withdraw (although their mandate may not be renewed). The objective in artillery shelling would be to inflict some casualties on the IDF, if possible in sufficiently great numbers to compel Israel to attack Syrian and Egyptian fortifications. A frontal attack against these fortifications, however, would have to be a major undertaking. It should be reiterated that the IAF destroyed only about 40 per cent of Syria's air defences at disproportionately high aircraft cost and was unable to crack the stronger Egyptian air defence network until ground operations on the West Bank physically neutralized individual batteries. Israeli ground forces did not penetrate the major Syrian fortifications at Saasa and flanked the Egyptian defensive lines

by crossing the Bitter Lake. General Sharon's tactical victory on the West Bank was against scattered forces deployed piecemeal and not against determined resistance in hardened fortifications. To repeat their crossing of the Canal or to penetrate the Saasa defences, the Israelis must now anticipate extremely high losses in infantry and officers, at rates they may not be prepared to accept, even in a war of attrition.

Should the Arabs fail to draw the Israelis into an attack on their fortifications, they will be faced with the choice of moving to the offensive and fighting an IDF-style of war. Israeli lines have now been reinforced and strongly manned (only 436 men and three tanks occupied the first echelon of the Bar–Lev line on the East Bank on 6 October). Further, the degree of surprise achieved by the Arabs during the last war cannot be expected for the next. Thus, a breakout from their own defensive positions will be costly for both the Syrians and Egyptians.

The other options for achieving the initiative in a full-scale offensive would be 'Belgium-style' end-runs through Jordan or Lebanon. A surgical strike through north-west Jordan aimed at Pina Rossa and the interdiction of the only two access routes to the Golan Heights from the south could isolate IDF forces on the Quneitra–Hermon line. Conversely, a sweep over the Damascus–Beirut highway around Mount Hermon into northern Israel could achieve the same objective, but with logistic lines more exposed to IAF interdiction. Moreover, options involving third countries will require broader Arab consensus than merely the inclusion of one more belligerent, especially in the case of Lebanon, likely to reduce the prospects for success by the multiplying effect of Arab dissidence. Indeed, Sadat's success during the October war was largely the result of a deliberate decision to reduce the number and types of participants in the operation, thus excluding the radicals and lowering the war aims to the attainable dimension of liberating Arab territory. Massive flanking moves on the northern front will now require exhaustive co-ordination among all Arab factions to ensure transit rights and access to the vast inventories of arms now being accumulated throughout the Arab world. Truly combined Arab military operations will be a greater test of Arab determination on the Palestinian question than their unity so far on the oil weapon with its more direct individual benefits.

On the Egyptian front, Arab forces can be expected to employ limited air sorties and long-range artillery for harassment purposes. They may also attempt to launch spectacular commando raids, though with less likelihood than other forms of interference in view of the complete failure of such raids during the October war.

If full-scale operations are anticipated, the Arabs may attempt to repeat their attacks across the Canal under the cover of their air defence system, with the aim of reaching the second echelon of the former Bar–Lev line before the Israelis. If successful, they would be better able than

in October to co-ordinate infantry anti-tank weapons and artillery fire within an air defence envelope deployed to the East Bank. This option would be most plausible if the Syrians achieved tactical surprise by a flanking attack through Jordan.

Alternatively, the Egyptians may sacrifice their military detachment on the East Bank for political reasons and hope to inflict heavy casualties with artillery fire from within the existing air defence envelope. Indeed, they may anticipate an Israeli attempted crossing that could be defeated by their fortified positions. The disadvantage of this scenario is that the Israelis would place a high priority on at least recovering the East Bank and control of the Canal—a political humiliation that few Arab leaders could sustain. The success of both contingencies will depend heavily on the effectiveness of the Egyptian air defence capability to defeat the new IAF electronic counter-measures.

In the light of these different Arab options, it would appear that the Syrians enjoy the slight advantage of having the most defensible front and prospects of assuming the initiative by flanking actions. The Egyptians, on the other hand, are more confined to positional operations that can best be employed through combined Arab actions.

Israeli options

On the Israeli side, several scenarios are also conceivable for the resumption of hostilities. First, with regard to the use of the oil weapon, Israel is undoubtedly highly vulnerable. If it can be used effectively in the future, to the point that the industrialized and the developing nations feel victimized, Israel may be in danger of international isolation. She has no counter to the oil weapon, except mobilizing world opinion through the Diaspora. It is ironical, however, that the Arabs may have rescued Israel from such a difficult situation by dissolving the original linkage between the oil weapon and a political settlement of the overall Arab–Israeli dispute. The Arabs now seem increasingly prone to treat oil on a commercial basis or on terms of political leverage related to other issues than Israel. Should this trend continue, the chances of the major producers putting larger political opportunities at risk for the sake of the Palestinians, for example, may be reduced.

In respect of the option of a war of nerves, the Israelis are rectifying their former disadvantages. They cannot accept the risks and costs of recurring escalations in tension, and they have apparently benefited from the incisive critiques of the conduct of the October war. Their mobilization plans, widely regarded as the most efficient in the world, are being remodelled. The Israelis have had two basic plans: one is the call-up of individual battalions or brigades for limited operations already drawn up by the General Staff and each unit's regular staff cadre, the other is for general mobilization on a sustained basis. The former re-

moves a selected number of individuals from the skilled labour force and the learned professions. The latter removes a much larger percentage of the labour force and interrupts the nation's logistic support systems to the point where economic output is seriously impaired. After the consequences of the May mobilization and the failure to mobilize in October were assessed, Israel devised and exercised a new plan whereby she could mobilize a portion of her logistic base for a sustained period, just as she could call up a battalion of reservists. As a result, Israel is now better able to stand a war of nerves and absorb false alarms without impairing her ability to mobilize quickly and deploy proficiently. Thus the utility of the war of nerves may be significantly reduced for the Arabs.

Many Israelis feel that they can absorb the impact of renewed shellings. The first echelon of the Bar–Lev line was not subdued by bombardment but by infantry investment. The new lines are strong and fully manned. On the other hand, few Israelis entertain much enthusiasm about assaulting directly the air and ground defences of the Syrians and the Egyptians. A frontal attack against these fortifications is to be avoided whenever possible.

If Arab shellings and air strikes are sufficiently aggravating so that Israel feels compelled to escalate the exchanges, she is likely to adopt an alternative strategy to a frontal assault. The most plausible would be to conduct deep strategic attacks against Egyptian military targets and remain on the defensive on the southern front, after seizing the East Bank, while launching a 'Belgium' end-run against Syria. A sweep through northern Jordan or south-western Syria south of Kissoue on the Damascus–Amman highway, with the aim of flanking the fixed defensive positions and interdicting Damascus from the south and east, would invite the unwanted intervention of the Arab Legion, which still contains perhaps the best individual Arab military units, and other allied Arab forces. A flanking move through Lebanon and around Hermon, on the other hand, could interdict all three main routes to Damascus and meet little resistance from the Lebanese armed forces. Such an operation would tie the Syrians and their allied Arab forces garrisoned in southern Syria to their fixed positions, allow the Israelis to police the guerrilla strongholds in 'Fatah-land', and permit the IDF and IAF to meet opposing forces on their terms of 'open warfare'.

The difficulty with this option is that, before the military balance became so clearly shifted by the threatened capitulation of the capital city of one belligerent, one or both great powers might intervene. Second, should the Israelis be halted at a point short of their objective, they would feel compelled to withdraw to defensible lines. Finally, Israel would also have to consider withdrawing completely or accepting the onerous responsibility of incorporating the radical Palestinian refugees in Lebanon under her military occupation. Physically controlling an addi-

tional million of the most radical Palestinians would probably be beyond Israel's capability, even if there was a domestic consensus about the ultimate disposition of Arabs in a Jewish state.

None of these options seems to provide planners of either side with a sufficient margin to recommend accepting the accompanying risks. Prognostication in the Middle East is extremely hazardous, as Dr Kissinger has testified. But at this juncture it appears that Israel will attempt to deal with the individual Arab states on a bilateral basis as long as possible, securing a political accord first with Egypt that will include the demilitarization of most of the Sinai. A settlement with Syria then might include a territorial division along the crest of the Heights and their demilitarization. Preferably, Israel would like to reach these accords before making any corresponding moves towards the Palestinians on the West Bank issue. If the political interests of the other Arab states can be satisfied before the refugee problem is tackled, the Palestinians may be forced to accept pro forma arrangements that would include token recognition of their national identity, token resettlement on the West Bank, major dispersals into the growing Palestinian Diaspora, and leaving the federation of 'Transjordan' a viable entity.

In rough outline, such a schema may also be acceptable to moderate Arab leaders. The seemingly hard lines of both sides should become more malleable when the realities of renewed hostilities are thoroughly assessed. This does not suggest that the road to the Geneva peace negotiations is straight or clear. Indeed, fairly extensive fighting may be resumed at any time when either side concludes that to do so might influence political negotiations. But neither side can now expect to gain a military advantage on the scale held by the Israelis in June 1967. Denied the incentives of seeking major military initiatives, a degree of de facto military parity will have been achieved. Each side will be able to assert publicly its military prowess without the risk of bringing it to the final test. Thus, the Soviet Union's immediate aim of establishing Arab parity may be achieved through the inadvertent acquiescence of the local contestants. It would be unwarranted to argue that a permanent settlement of the Arab–Israeli dispute is likely until there are fundamental changes in the social values of both sides. But with the prospects of a mutual acceptance of military parity and the limited utility of major fighting in negotiated settlements a series of *modi operandi* may gradually emerge that may foster a climate necessary for durable accords.

LATIN AMERICA

Last May participants from eleven countries in Western Europe and the Americas attended a Chatham House conference on 'Latin America in the international system', organized as part of a study programme supported by the Ford Foundation. Amongst the objectives of this conference was to ask what kind of world the Latin American countries must confront, particularly in the light of the great changes in the Northern Hemisphere since the mid-1960s, and what sort of actors they are themselves becoming on the international scene. Below, The World Today *publishes two of the papers presented at the conference.*

1. The United States–Latin American relationship since 1960

MARIO OJEDA GÓMEZ

LATIN America has traditionally been the heartland of the United States sphere of influence. The cyclical pattern of US–Latin American relations has, however, responded to major world crises and extra-continental challenges to United States dominance in the region. During periods of world and regional stability, Washington has tended to leave the management of the relationship to private finance and investment, while exerting indirect political influence through a certain control of trade. In periods of crisis, the US has sought a more direct political influence, through the development of mechanisms ranging from political and economic incentives to economic sanctions and military intervention.

In the early 1930s, facing world-wide economic depression and increasing fascist penetration of Latin America, the United States thus chose to move away from a quasi-imperial relationship, substantially backed by the use of military force, in order to inaugurate what came to be known as the Good Neighbour Policy. That policy was designed to promote a new image of the United States in the area and to ensure Latin American co-operation in the event of a major confrontation with fascist powers. It was also expected to bring certain economic benefits to the United States, such as tariff reductions for American exports. In return, the United States would renounce her claim to a right of intervention in the internal affairs of Latin American countries: a renunciation long sought

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by Latin America. As a result, at the outbreak of the Second World Wa in Europe, the road had been paved towards a Pan-American solidarit which assured the co-operation of Latin America in the war effort.

This co-operation was mainly of an internal political character—th safeguarding of the Latin American countries' own political front agains subversion. But it also included certain important economic sacrifices such as the freezing of export prices for strategic raw materials in a perio of increasing demand and (as in the case of Brazil) the despatch of troops to the war front. Mexico, for her part, sent workers to meet the labou shortage in United States agriculture caused by the war. Meanwhile the United States inaugurated a major programme of economic and technical assistance which helped to support the weak economies of Latir America. At the end of the war, however, when Latin American co-operation was no longer needed, the United States suddenly cut back her economic assistance programme and allowed the prices of Latin American raw materials to decline at a time when those of industrial goods were rising. In this way, it could be said that Latin America also made an indirect contribution to the war effort by helping to pay for it after the war was over.

The Rio Pact

In 1947, when Washington's foreign policy was again dominated by a sense of major world crisis, a new arrangement was made with Latin America: the Rio Pact for collective security. This pact has been described as the first military treaty of the Cold War. At this time, however, the United States still felt confident of Latin American co-operation, while the really sensitive spots in the Cold War lay outside the Western Hemisphere. Consequently, it was felt in Washington that there was no further need for economic incentives to ensure Latin American loyalty; thus Latin American countries were told, whenever they raised the matter, that the best means of economic co-operation were through private investment. Once in a while, when Washington felt the need to ratify or reinforce Latin American co-operation, it brought to the negotiating table offers of economic aid and commercial benefit. A case in point was the 1951 meeting of Foreign Ministers of the Organization of American States (OAS), which took place in the context of the Korean war and which was designed to persuade Latin American governments to send troops to that war. Another example was the 1954 OAS meeting in Caracas at which the Guatemalan leftist Government of Jacobo Arbenz was collectively condemned. These offers, however, were never implemented, since none of the crises concerned presented a real challenge to United States hegemony in the hemisphere. It would thus be justifiable to say that up to 1960 Latin America was virtually excluded from the map of the Cold War. But in that year the Cuban Revolution,

and the consequent rapidly growing involvement of the Soviet Union, forced the United States to undertake a profound revision of her Latin American policy, so that the inter-American relationship pattern was changed once again.

The Isolation of Cuba

The Cuban Revolution coincided with the arrival of a new Administration in Washington, bringing the Democrats to the White House after eight years absence from power. It also coincided with a change of United States global nuclear strategy, from 'massive retaliation' to a more flexible and differentiated concept of deterrence. Both factors had a profound impact on the revision of United States policy towards Latin America. Out of this revision, the Alliance for Progress was born. But the Alliance for Progress was only the economic aspect of a broader policy which constituted the Latin American version of Washington's global strategy of more flexible deterrence.

Edwin Martin, at that time Assistant Secretary of State for Inter-American Affairs, defined the concrete objectives of the new policy in the following terms:

> We are channeling our direct attack on the problem of Communist subversion in two directions. One is to isolate Cuba from the hemisphere and discredit the image of the Cuban revolution in the hemisphere. The other is to improve the internal security capabilities of the countries concerned.
>
> Even more important over the long term will be the achievement of our goals under the Alliance for Progress, a partnership of 20 countries of the inter-American system.[1]

To achieve the first objective—the isolation of Cuba—Washington launched an offensive through a series of meetings within the OAS. This offensive had as a first result the 'exclusion' of Cuba from the Inter-American system in 1962. A collective economic blockade of the island followed, culminating in the 1964 OAS Resolution calling on all member states still maintaining bilateral relations with Havana to make a definitive break with Castro's Government.

In order to discredit the image of the Cuban Revolution in the hemisphere, Washington launched a huge propaganda campaign. This campaign had two themes. On the one hand, propaganda designed to check the influence of the Cuban Revolution emphasized the weakest aspects of the Cuban regime and of socialist systems in general. On the other hand, there was the so-called positive propaganda, designed to praise liberal democracy, private enterprise and, in particular, the Alliance for

[1] Testimony to the Latin American Subcommittee of the House Committee on Foreign Affairs on 18 February 1963, reproduced in the *Department of State Bulletin*, Vol. XLVIII, No. 1238, 18 March 1963, p. 404.

Progress. By 1964, however, it was decided to play down the latter, since it had become apparent that 'over-selling' the Alliance for Progress was creating expectations well beyond those which its aid programme could in fact satisfy.[1]

Countering internal subversion

Ideas of continental security, another objective of Latin American policy, were also adjusted to the new situation. Up to that time, hemispheric security had been based on a traditional concept of defence against a conventional extra-continental attack. The Mutual Security Act of 1951, for example, described the main objectives of continental defence as follows: protecting the sources of strategic materials and the lines of access to them, maintaining in the region a capacity to defend against small air and submarine attacks from the outside, and helping to reduce the role of United States armed forces in regional defence.[2] Under the new policy, the focus of hemispheric defence was shifted from external to internal security. Consequently, the main effort was devoted to countering internal subversions through a programme of military aid and military technical assistance in counter-insurgency techniques and political police actions. The net result was that the United States became once more directly involved, with renewed vigour, in the internal political affairs of Latin American countries.

The new United States policy included a plan for economic aid to Latin America, which became known as the Alliance for Progress. The officially declared objective of this plan was to help accelerate the rate of economic growth in the area in order to build a social structure capable of resisting the impact of revolutionary propaganda. It was also hoped that, in the short term, by granting the mass of the Latin American peoples some immediate social benefits, this plan could help to alleviate the unrest caused by the dislocations of economic growth and social change. In reality, however, the main and immediate objective—although never officially declared—was to create an economic incentive for the governments of the area to give their determined support to a policy of condemnation and isolation of the Cuban revolutionary Government. Thus, the new pattern of inter-American relations, like that in the Second World War, came to be based upon an exchange of economic assistance for political co-operation.

The prevalent political mood in Latin America in the early 1960s facilitated this sort of agreement. Latin American countries had repeatedly claimed, in various Inter-American meetings, that the region had

[1] US Congress. House of Representatives, Committee on Foreign Affairs, *Hearings*, Washington, D.C., 18 February–6 March 1963, pp. 107–145.

[2] Edwin Lieuwen, *Survey of the Alliance for Progress: The Latin American Military*. US Senate Committee on Foreign Relations, Washington, D.C., 1967, pp. 21–22.

been a 'neglected area' in United States aid programmes. As we have seen, American aid to the region had almost completely dried up at the end of the Second World War. In contrast, Latin Americans had only to look at the vast amount of capital, in the form of aid, being transferred by the US to other regions (see Table) to reach the conclusion that they were being grossly neglected. Consequently, when in 1961 President Kennedy announced his intention to establish an 'Alliance for Progress', the prospect was enthusiastically received in Latin American official circles.

Table

Recipients of US Economic Aid
1948–1961*

	Millions of dollars	*Per cent of total*
Europe	15,067	56
Far East	6,279	23
Near East and South East Asia	4,457	17
Latin America	563	2
Africa	515	2
Total	26,881	100

* Net disbursements
Source: US Agency for International Development, *US Economic Assistance Programs administered by the Agency for International Development and Predecessor Agencies*, 3 April 1948–30 June 1963. Washington, D.C., 1964.

Expanded US aid in the 1960s

With the establishment of the Alliance for Progress, Washington tried rapidly to repair the bad image created in the minds of Latin American governments by its past 'negligence'. In the following years, large sums of capital were sent to the region in the form of aid. Though this failed to reach the expectations aroused by the original announcement of the Alliance for Progress, it was in fact far greater than the amount previously received by the region.

In addition to the Alliance for Progress, United States contribution to the recently created Inter-American Development Bank was expanded through the establishment of a special fund for social development. The Bank itself is another example of Washington's efforts to develop new means of exerting direct economic and political influence in Latin America. Ever since the war, the Latin American countries had hoped for the establishment of such a bank, but Washington had withheld its approval. In 1959, after the angry reception given to Vice-President Nixon during his tour of Latin America, Washington withdrew its objections and the Bank was established.[4] Military aid, granted in the

[4] An alternative explanation is given by Andrew F. Westwood in his book *Foreign Aid in a Foreign Policy Framework* (Washington: The Brookings Institution, 1966, p. 78). He asserts that, in 1958, in the face of the Middle East crisis,

context of the Military Assistance Pacts (MAP), established in 1952, was also expanded after 1961.

From 1948 to 1968 the bulk of United States economic aid, on a per capita basis, went to four countries: Panama ($102·61), Bolivia ($90·67), the Dominican Republic ($81·10), and Chile ($66·82). Panama, of course, was host to the canal. Bolivia and the Dominican Republic were, at the time, plagued by endemic social unrest and political instability. In Chile there was a real possibility of an electoral victory by leftist parties. Of the 'Big Three' of Latin America, Brazil, which, according to the Pentagon's strategic priority classification, was considered as the 'key country' of the area, received the greatest amount of both economic and military aid. One may conclude, therefore, that United States assistance to Latin America was given to a politico-strategic end.

By the end of the 1960s, as a new Republican Administration came to power in Washington, it had become clear that social revolution was not about to explode in Latin America, that the first concrete signs of a relaxation of the Cold War were in sight, and that Fidel Castro had moved from a policy of supporting Latin American guerrillas to a less belligerent attitude. In these circumstances, Washington decided simply to let the Alliance for Progress die of inactivity. The crisis was over, and the time had come for another change in the Inter-American relationship pattern.

Changed US strategic and economic concerns

Nixon's electoral campaign was waged on the basis of a promise to end the Vietnam war. The war had greatly eroded American national morale, and disengagement was an urgent need. Consequently, the new Administration's main foreign policy concern was to withdraw from Vietnam without losing face at home and abroad. A retreat from Vietnam meant an understanding with the rival Communist powers: the Soviet Union and China. Washington sought, with some success, to deal directly with these two powers in an attempt to achieve a relaxation of Cold War tensions as part of a global 'Grand Design' for world politics. Once this general objective was realized, there would no longer be any need to maintain 'special relationships' with particular regions and countries because of Cold War strategic needs.

Meanwhile, however, external economic problems had become critical for the United States. The balance of payments which had been under great pressure for some years, became so precarious that the dollar, in fact, was devalued. According to some Washington officials, the balance

President Eisenhower decided to give Washington's support to the creation of a Regional Development Bank for the Arab world. Told by the State Department experts on Latin America that Latin American countries had been waiting for a long time for the establishment of a Regional Development Bank, President Eisenhower removed the United States veto in order not to antagonize the Latin American countries, and both banks were created.

of payments crisis could be attributed mainly to the over-expansion of US foreign aid, including foreign investment, coupled with 'disloyal' commercial competition from some of the Western countries. Consequently, Washington reached the conclusion that the time had come to make its former allies pay for the dollar crisis, with no exception being made for Latin America.

In August 1971, President Nixon announced a 10 per cent surcharge on all imports coming into the United States market. Latin American countries strongly resented this measure. It was, of course, directed not only against Latin America alone but against the world at large. However, it was also true that it did not affect all nations equally: developing countries which had close ties with the United States economy, as in the case of Latin America, suffered more intensely. Moreover, the Latin American countries had good grounds for believing that they would not be included in the scope of such action. After all, they were not guilty of causing the pressures to which the American dollar had been exposed. Even more important in their minds was the fact that they had been repeatedly told by Washington that they were the beneficiaries of a 'special relationship' with the United States. The best evidence that this was a serious consideration in the thinking of Latin American government officials can be seen in the Mexican reaction to the 10 per cent surcharge. Mexico and Canada were the only two countries which tried to negotiate bilaterally for a dispensation from the surcharge. Canada did so on the basis of being the largest customer of the United States; Mexico on the basis that she was the best customer among the developing countries of Latin America, and had been running a permanent deficit in her trade with the United States. Both obviously thought that, for these reasons and because they were direct neighbours of the United States, they should be granted special treatment within the general 'special status' granted to the countries of the hemisphere in general. Neither Mexico nor Canada attained her objective. For Mexico, this was in fact a second reminder of the new foreign policy 'style' of the Republican Administration, the first being the so-called 'Operation Interception' launched by the United States in 1969.[4]

[4] 'Operation Interception' consisted of a campaign carried out by United States Customs officials to fight the drug traffic into the country by a very careful search of all travellers entering the United States. Since most Mexican border cities depend greatly on American tourists, and since the 'Operation' tended heavily to reduce the number of travellers, the economy of the Mexican border region suffered heavily. Some observers saw in this measure an attempt by Washington to force the Mexican Government to take more serious internal measures against the production of marijuana. The Mexican Government was not previously consulted, nor even told, about the 'Operation', and was consequently caught in a difficult position vis-à-vis Mexican public opinion, which could not understand how a friendly Government which had repeatedly talked about the 'special relationship' with Mexico could suddenly act on the basis of power politics.

American foreign aid funds were being reduced even before the 10 per cent surcharge was imposed in August 1971. Moreover, once it was clear that social revolution was not about to explode in Latin America, American economic aid was increasingly subjected to technical scrutiny. What mainly counted now was not international political co-operation but certain aspects of internal economic policy. At the same time, the previously liberal terms on which aid was granted were also hardened.

Washington's 'discreet presence'

With economic aid greatly reduced, some of the Latin American governments began to lose their old fervour for the OAS, another of the instruments of direct political influence used by Washington during the critical period of the Cold War. By 1967, there was a marked tendency on the part of some Latin American countries to reduce, rather than expand, the authority of this regional organization in political matters. This was not a major preoccupation for Washington, which considered that the political crisis in the hemisphere was passing. Nixon's Administration inaugurated a 'non-policy' for Latin America which had its first test during the El Salvador–Honduras war of 1969. Washington decided on that occasion to leave Latin American countries to take the initiative within the OAS to resolve the conflict. This attitude came to be officially labelled by Washington as the 'discreet presence'.

The United States soon discovered that there were some crises of a local nature for which the policy of 'discreet presence' was not a proper instrument. Such was the case, for instance, when Alvarado's Peruvian Government and Allende's Chilean Government expropriated American enterprises. Since the OAS had been seriously weakened and aid programmes for Latin America reduced, the United States Government had no important instrument of direct political influence available except the Inter-American Development Bank. For that reason, the United States blocked the loan applications submitted to the IADB by Peru and Chile. Ever since, Latin American countries have pursued a campaign to reduce the overwhelming influence of the United States in the Bank. Hence the admission of Canada as a full member of the Bank and the acceptance, as associate members, of a substantial number of extra-continental countries.

In general, one might say that, once the crisis was over, Washington again let private interests take the lead in United States relations with Latin America by renouncing the use of direct political influence. This appears to be a favourite Republican style of conducting relations with Latin America. But it is also true that the public interest of the United States only takes precedence over private and sectional interests in times of crisis.

Indirect pressure

This is not to say that there is no such thing as American governmental influence in Latin America at the present time. What has happened is that this influence has come to be exerted through indirect means of pressure. United States private enterprise penetration of Latin America, of an economic, technological, and cultural nature, is greater today than ever before. Dependence is the dominant feature of the framework within which Inter-American relations operate and this general framework of dependence provides the foundation on which instruments of direct political influence could be constructed again in case of a major crisis.

Dependence, however, is relative rather than absolute, in the sense that it does not apply in the same measure to all Latin American countries. Thus we find that some countries have retained, to a greater extent than others, a relatively greater bilateral bargaining power vis-à-vis both United States government agencies and transnational enterprises, within a general framework of Latin American dependence.

It is logical to assume that such countries as Brazil, Argentina, and Mexico, because of their size, their level of development, their economic diversification, the magnitude of their markets, and their more sophisticated governments, are countries which have greater manœuvrability when dealing with American government agencies and transnational enterprises. The same could be said of a country such as Venezuela, with her foreign trade based on so valuable a strategic raw material as oil. Brazil is still considered by the Pentagon to be the 'key strategic country' in South America, and Mexico can still count on what has been both her main source of weakness and her main strength in dealing with the United States as a direct neighbour: the strategic value of her territory for the national defence of the United States. Because of this strategic value, Mexican political stability is still a very important concern for Washington, notwithstanding the relaxation of the Cold War, and there have been instances when the United States Government has been prepared to sacrifice American private interests for the sake of this strategic value.

One must, however, introduce certain qualifications to this general conclusion that some Latin American countries have a relatively greater freedom of manœuvre in dealing with the United States. Bargaining capacity is, of course, subject to a number of variables such as the degree of legitimacy and the national political unity which provide moral backing in intergovernmental negotiations. Perhaps more important, however, is the fact that these same countries, having attained a higher degree of industrial development partly through a policy of import substitution with the emphasis on durable consumer goods, have lost the capacity, which smaller countries retain, to reduce their imports at times when the prices obtained for their own exports are declining. The imports of these

more industrialized countries are composed mainly of capital goods, required to maintain the expansion of industrial growth. Since manufacturing, in general, is the most important sector in their economies, they cannot reduce imports, even in times of crisis, without seriously damaging the whole economy. For this reason, when faced with a situation where they must reduce imports or face a serious deficit in their balance of payments, they become particularly vulnerable to political pressures, since the easiest way to solve the problem, in the short run, is to borrow money from abroad.

In closing this paper, it is important to mention that Latin American governments have recently shown signs of great dissatisfaction with Washington because of the lack of a Latin American policy. It was for this reason that they invited Henry Kissinger, the American Secretary of State, to meet his Latin American colleagues in Mexico City at the end of February. The Latin American Foreign Ministers hoped that, through a 'frank dialogue' outside the formal structure of the OAS, they might obtain for Latin America the same kind of 'miracle' which Dr Kissinger has worked for other regions. However, the concrete results of this meeting—apart from rhetorical declarations—were disappointing to the Latin American governments, since, instead of working a 'miracle', Dr Kissinger reminded them that the US Government was not a monolithic entity and that they must therefore be patient about their petitions.

2. Regional cohesion and incoherence

GUIDO DI TELLA

REGIONAL cohesion in Latin America has not been very great. The different levels of economic and social development, the different levels of education, the different degrees of immigration from countries outside the area, the different levels of economic and social participation, and the different political developments have not helped in the past. These facts, coupled with the presence of a strong foreign influence on trade and capital, have created some serious structural problems, difficult to surmount. Whilst we cannot review all the causes, many of them complex and interlinked, we can point to some of the most important, particularly in the economic area.

Probably the most important economic factor has been the autarchic development model that the majority of Latin American countries have adopted. This has been so despite the extremely varied sizes of the countries as exemplified by their GNP, Brazil being seven times larger than a

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medium-sized country such as Chile (not to speak of the smaller ones), and by the very different relative factor endowment and different wage levels.

Different economic size means that economics of scale can be exploited to very different degrees. In a way, the smaller the country, the more costly it is to concentrate solely on the home market. But in Latin America few industries in the larger countries can claim to operate at an economic level. The new drive on exports has to do with this problem.

Relative factor endowments differ quite a bit in Latin American countries, but the common fact is that our economies have not been able to give full employment for structural reasons. The development of primary resources, mineral or agricultural, has not been able to absorb the existing labour force, which is, moreover, growing at a very rapid pace, as a consequence of the growth of population.[1] The problem is not so apparent due to the rather low technological level prevalent in Latin America. An improvement would, in fact, worsen the situation, but is necessary if our countries are to increase their wage levels and improve their income distribution. The problem is therefore serious even for the so-called underpopulated countries, like Argentina.[2] With this kind of situation, it is indeed sensible to look for activities that can absorb the labour surplus and bring about a more optimal pattern than that of exclusive reliance on primary production *and* unemployment. But this surplus has to be absorbed using technologies at least as efficient as those employed in the 'previous' sectors, if wages are not to be driven down.

The fact that Latin American countries have chosen a particular kind of industrial development is quite another matter, as it causes some of the most important stumbling blocks for greater regional cohesion. That our countries, particularly the large ones, want to possess *all* the different industries, particularly *all* the 'heavy' capital intensive ones, creates a very serious problem for a consistent regional model.

Some countries, like Argentina, have claimed that the process of 'national integration' has to be consolidated first and that only afterwards can regional integration be tried. It is argued that non-integrated countries cannot be the base for a regional integration effort. Unfortunately, national integration, as this term is used, means national autarchic development.

One of the hopeful developments is that the crisis, real and felt, of the

[1] Internal migration has made the problem more evident as it has moved redundant labour from the land, where it was disguised, to the cities where it is not.

[2] A study that we made some time ago indicated that the present Argentinian production of goods and services could be carried out, with modern international technology (i.e. US or North European), with less than 45 per cent of the total present labour force. As Argentina improves her technological level, and *pari passu* her wage level, she will expel the other 55 per cent. The process therefore requires the expansion of the present activities or the development of new ones, to the extent necessary to absorb the surplus population.

import substitution scheme has forced a reappraisal of past policies. The new trend emphasizes labour-employing activities even when carried out with modern technology and a more open economy with industrial exports. This strategy may permit national programmes consistent with an overall cohesive regional scheme.

The paradox of autarchy

An awkward result of the autarchic scheme is that foreign investors, eager to take advantage of the benefits created by the substantial increase in tariffs, have been able to get control of large proportions of the higher-priority sectors. While in the first stages of import substitution a transfer of resources took place from consumers to the national investors, at a later stage it was a transfer of resources from national consumers to foreign investors, a phenomenon which has come under strong criticism on distributive and nationalistic grounds. This can well be called 'the paradox of autarchy', as it started as a process that was to reduce the 'dependence' of our countries on an excessive reliance on foreign trade of primary resources, and has ended up with a greater dependence on foreign capital, even more serious and permanent than the former dependence on trade.

The process has not proceeded at a similar pace in all Latin American countries. The large ones have gone through it in a more intense way, as they were countries with more resources whose internal markets were sufficiently large to permit some kind of economies of scale. This was not the case in the smaller countries. Although some of them tried the import substitution model,[3] it soon became clear that it involved an unattainable goal. This is one of the main reasons for the relatively greater interest of these countries both in the Latin American Free Trade Association (LAFTA) and later in more modest but certainly more realistic schemes, like the Central American Common Market (CACM) and the Andean Group.[4]

One of the problems was that the previous import substitution strategy had created such an 'appeal' surrounding some industries that to have them or not seemed absolutely vital to the development process, or to some concept of 'sovereignty'. It was then very difficult to abandon some of these industrial projects on behalf of a still vague kind of solidarity or a not too well understood argument about efficiency. The new pattern is towards a more specialized industrial scheme, where all countries do not attempt to reproduce all the industrial spectrum and restrict it to the home market, but try to concentrate their efforts on fewer industries in

[3] Uruguay with its Ley 10.000 is one of the best examples. The tariff of any product produced locally was automatically raised, and in a substantial way, no matter the quality, quantity, or price of the product.

[4] For background see F. Parkinson, 'Power and Planning in the Andean Group', *The World Today*, December 1973.

order to develop them for both home *and* foreign markets, taking advantage of economies of scale.

Industrial exports

Industrial exports have therefore become vital, although the particular way in which they are being handled by the larger countries may not be particularly conducive to a more cohesive attitude.

As the leading countries advanced in the import substitution scheme of industrialization, the process became increasingly difficult and foreign-dominated, with an external situation that still depended too much, or perhaps even more, on exports of primary products. What was imported was increasingly vital for the smooth functioning of the industrial economy. As remittances of profits and royalties increased, keeping pace with growing foreign participation, foreign constraint became more serious rather than less, as had been expected. Exports of primary, and now also of industrial goods, became very important new targets. The markets of other countries in Latin America, opened in theory by LAFTA, or for the member countries by the smaller sub-groupings, seemed interesting outlets. In a sense they were, as some kind of protection from third parties did exist. But it soon became evident that if a country was to buy from another Latin American country it would only do so provided the price and quality of its products competed favourably with those imported from outside the area, i.e. the United States, Europe, or Japan. No matter how much solidarity was invoked, the decision depended on the price and the quality offered. Conversely, the exporting countries discovered that if they were to become competitive internationally in some products, they could then try as well to export to the really big markets which, in a way, are less protected from each other than, let us say, those of Brazil and Argentina are, or, for that matter, from the rest of Latin America.[5]

While exportable goods are concentrated in the less capital intensive sectors and, therefore, in the sectors with less foreign participation, international corporations have an international commercial infrastructure which has permitted them to gain a large share of the new industrial exports. Again the problem of excessive reliance on foreign firms reappears. It is one that will be present for some time, and may increase, since industrial exports will be a most important development in Latin America for the next decade or so. This problem may become one of the conflict areas of the future.

The trend towards integration has indeed been hampered by the changing types of governments that our countries have had, and probably will have, in the future. Moreover, their different stages of social and

[5] Probably it is as difficult for Argentina to sell automobile spares to Paraguay as to the United States, and probably even more difficult to do so to Brazil. Some difference in the market size does indeed exist.

economic development mean that the kind of governments they have, their degree of stability, and their freedom of action varies extremely.

Argentina, for instance, is a country which, in common with others, has already gone through at least three major upheavals. The first was in the 1880s when it tried a form of democracy restricted to the upper classes—an experiment in line with what was being done in other parts of the advanced world. The second upheaval occurred during the 1920s and 1930s, when the middle classes were incorporated into the system, a process which brought with it a lot of political disturbance. The incorporation of the labouring classes into the system, a process which is nearing completion at the present time, was the third upheaval and divided the country deeply.

What is clear is that social progress is not necessarily associated with more stable governments, nor with a more orderly and predictable situation. On the contrary, other countries, far less developed from a social point of view and where fewer social groups participate, may have more stable governments for very long periods. If we take the example of Brazil, it can be said that the rather unequal distribution of income, the still small middle class sectors, and the large marginal sectors completely outside the system, create a social situation that allows a non-participating dictatorial system to exist and to be stable. But probably as time goes on the inevitable trickling down of the new wealth to the lower sectors, even if delayed, will take place. The marginal sectors will be absorbed and incorporated into the industrial labour force, and the middle classes will become more important. In a way, the very things that the Government may eventually show as its successes will create large and impatient groups which will make strong demands for greater social and political participation. These will have to be answered or a rather explosive situation may develop. The process may mean more, and not less, political unrest.

Ideology and pragmatism

Sometimes the fact that various governments have had an ideological coincidence—as Peru, Bolivia, and Chile had for a short while in the early 1970s—seemed to give additional impetus to integration, in this case to the Andean Group. But our countries have not been moving in any particular ideological direction. They have moved back and forth, from right to left, even if within a rather limited range, making the establishment of any stable regional ideological alliance impossible. On the other hand, a trend that may help is the more pragmatic approach between countries which has stressed that the ideology of governments should not be a cause nor a deterrent in economic agreements.[6] We are beginning to see

[6] The very good relations of Argentina, during the Lanusse Government, with Allende, and her greater interest and dealings with the Andean Group when it

very different types of governments getting along quite well, while similar ones remain rather indifferent to effective collaboration, despite the inevitable rhetoric. The reduction in the influence of the United States in the area has meant that a new integration scheme, which may be better and more convenient, may come about, but it will be one that may be even more difficult to co-ordinate and carry out without any country dominating the area. It is true that, some time ago, at the zenith of American influence, the United States was not interested in Latin American cohesion, and that later on, to the extent that she became interested, she tried quite logically to push the integration models which were in line with the interests of the international corporations. This has been fought with greater success than in the past, in part due to world evolution during the last fifteen years, the new multipolarity, and the slow but continuous development of Latin America that has created a more assertive and a more independent attitude. Peru, Mexico, and now Argentina are good examples of this struggle. Unfortunately, the forces that may help to destroy a particular integration scheme may not be ones that will help to bring about an alternative scheme.

Regional aspirations

Brazil has emerged as the new power that can compete for dominance within Latin America, a fact very much resented—particularly by Argentina, and to a certain extent by Mexico. Though Brazil has shown signs of coveting a position of power, she has not yet set about converting such aspirations into reality. Problems will no doubt arise between Brazil and other Latin American countries but fortunately they are unlikely to be serious. Brazil is the country with the largest GNP, and this is likely to become even larger as the population continues to grow at a faster rate than that of most other Latin American countries, and as it continues to incorporate its still very marginal population into the economy. But that this phenomenon will mean a real threat to any other Latin American country is difficult to see. However, the symbolic element exists and is bound to increase, and it is a phenomenon that will indeed hamper a more cohesive regional attitude. Also there is the risk that public attention may be deliberately focused on dreams of power in order to distract it from unpalatable problems at home. On the other hand, the internal tasks in Brazil are so enormous and so pressing that they may prevent a genuine interest being taken in the larger regional area. This, and not Brazilian hegemonic ambitions, is the real problem.

The influence of other countries outside the area on Latin America has probably diminished slightly, particularly, as said above, that of the

had a majority of left-leaning governments, is a good example of the new attitude. The same can be said with the new approach to Cuba by various Latin American governments, Argentina among others.

United States. This trend may continue as a result of greater possibilities of autonomy for our countries, coupled with America's diminished position as a world power in comparison with ten years ago. This new situation will affect particularly the treatment of foreign capital—a conflict area in most of Latin America. It is not surprising that one of the basic agreements of the Andean Group was on this particular subject and influenced all their decisions. Probably it was too drastic, and carried out too soon, in view of the real forces. But despite the present retrenchment, it may still show a future trend.

Some kinds of control on foreign capital and some kind of differentiation between American capital on the one hand and European and Japanese capital on the other, in favour of the latter, will be made and a certain co-ordination may develop on this subject. While some people, mainly on the left, stress the fact that all capital has common traits, others point to the fact that the oligopolistic behaviour of American capital will diminish if non-US capital is permitted. In order to break into the international market the large European and Japanese firms have tended to accept less favourable terms than American firms and have incurred greater risks. In a way, while they were fighting for acceptance into the international oligopoly, they gave a larger bargaining power to our countries. Once they become accepted their behaviour will become basically similar to that of the Americans. Still, they helped to enlarge, and therefore to weaken, the oligopoly and have thus had a beneficial influence compared with pure American domination.

Some kind of co-ordination may also develop among our countries in their dealings with some of the international institutions, particularly the IMF and the World Bank. What these institutions do in one case depends to some extent on what they have done in previous cases. A more favourable condition obtained by one of the countries may lead to successful claims being made by some of the others at a later stage. Unfortunately the advantages to be derived from reaching a specific agreement with any of these institutions act as a strong deterrent against a more co-ordinated effort. Individual understandings may therefore continue and develop in defence of the prices of some basic commodities, except where the advantage to be derived from oligopolistic behaviour is very apparent (such as in the case of meat, wool, copper, coffee, etc.).

Indeed, the picture that we have described is rather gloomy regarding the prospects for greater cohesion among Latin American countries. Incoherence seems, unfortunately, to be the consequence of some basic structural characteristics, at least at the present stage of development of our countries and of the area. At the same time, continuing efforts to overcome this problem are both worthwhile and necessary, so long as facts are never disregarded in the pursuit of ideological aspiration.

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